

Auditing Procedures Report

issued under P.A. 2 of 1968 as amended

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Flat Rock, Michigan	County Wayne
Audit Date 6/30/04	Opinion Date 9/28/04	Date Accountant Report Submitted to State 12/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


- 1 We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
- 2 We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Jocks & Associates, P.C.			
Street Address 3630 West Road	City Trenton	State MI	ZIP 48183
Accountant Signature 			Date 12/29/04

CITY OF FLAT ROCK, MICHIGAN

ANNUAL REPORT

June 30, 2004

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Jocks & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flat Rock, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flat Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a text basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 28, 2004, on our consideration of the City of Flat Rock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 36 through 48, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flat Rock, basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jocks & Associates, PC

September 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Flat Rock's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$2,069,042 (or 10.5%). The governmental net assets increased by \$1,944,842 (or 15.6%) and the business-type net assets increased by \$124,200 (or 1.7%).
- Of the \$21,786,062 reported in net assets, \$3,039,965 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,312,716, an increase of \$951,099 from the previous year. Of this fund balance, approximately 72.6% (\$3,132,878) is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$2,009,429 (or 24.4%) of the General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the City's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the City, as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the City's financial position is improving or deteriorating. However, in order to assess the overall health of the City, non-financial factors such as the City's property tax base and condition of the City's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the City's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report two activities:

1. *Governmental Activities:* Most of the City's basic services (i.e., police, fire, public works, parks, etc) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The City's governmental activities include general government, police, fire, building and safety, public works, recreation and culture, library, community enrichment and development, road maintenance and repair and tax refund.
2. *Business-type Activities:* The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City operates one business-type activity that reflects private sector type operations: Water and Sewer service.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the City's most significant funds (Major Funds), not the city as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the City presents individual fund data for non-major funds in the supplementary information section. All of the funds of the City can be divided in three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and use of available resources. This is the manner in which the budget is typically developed. The City establishes Funds for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the General Fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the City's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary funds are used to account for services provided by the City where the City charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer service.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not reflected in the government-wide financial statements. The City acts as a trustee or fiduciary for its employee deferred compensation plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These funds are reported using accrual accounting.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

NON-MAJOR GOVERNMENTAL FUNDS

Following the required supplementary information is combining financial statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$21,786,062. However, (81.4%) of the City's net assets represents its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FLAT ROCK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CITY OF FLAT ROCK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 5,979,512	\$ 921,910	\$ 6,901,422
Capital assets, net of accumulated depreciation	<u>25,308,332</u>	<u>11,801,685</u>	<u>37,110,017</u>
Total Assets	<u>31,287,844</u>	<u>12,723,595</u>	<u>44,011,439</u>
Long-term liabilities outstanding	14,413,135	4,402,742	18,815,877
Other liabilities	<u>2,460,446</u>	<u>949,054</u>	<u>3,409,500</u>
Total Liabilities	<u>16,873,581</u>	<u>5,351,796</u>	<u>22,225,377</u>
Net Assets:			
Invested in capital, net of related debt	10,768,731	6,973,631	17,742,362
Restricted	1,003,735	-	1,003,735
Unrestricted	<u>2,641,797</u>	<u>398,168</u>	<u>3,039,965</u>
Total Net Assets	<u>\$14,414,263</u>	<u>\$ 7,371,799</u>	<u>\$21,786,062</u>

Except for \$1,003,735 restricted for debt service and capital projects, the City may use the remaining balance of unrestricted net assets of \$3,039,965 (14.0%) to meet its ongoing obligations to citizens and creditors.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 2,385,630	\$2,657,446	\$ 5,043,076
Operating grants	1,680,745	-	1,680,745
General Revenues:			
Taxes and special assessments	10,653,147	-	10,653,147
Sale of naming rights	1,900,000	-	1,900,000
Investment earnings	<u>409,778</u>	<u>3,536</u>	<u>413,314</u>
Total Revenues	<u>17,029,300</u>	<u>2,660,982</u>	<u>19,690,282</u>

CITY OF FLAT ROCK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS (continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Expenses:			
General government	1,336,387	-	1,336,387
Police	3,162,862	-	3,162,862
Fire	680,639	-	680,639
Building and safety	636,301	-	636,301
Public works	1,629,625	-	1,629,625
Recreation and culture	920,236	-	920,236
Library	669,883	-	669,883
Community enrichment and development	140,008	-	140,008
Road maintenance and repair	1,268,535	-	1,268,535
Tax refund	3,449,022	-	3,449,022
Debt service	818,676	-	818,676
Settlement	350,000	-	350,000
Miscellaneous	22,284	-	22,284
Water and sewer	-	<u>2,536,782</u>	<u>2,536,782</u>
Total Expenses	<u>15,084,458</u>	<u>2,536,782</u>	<u>17,621,240</u>
Increase in Net Assets	1,944,842	124,200	2,069,042
Net Assets, July 1, 2003	<u>12,469,421</u>	<u>7,247,599</u>	<u>19,717,020</u>
Net Assets, June 30, 2004	<u>\$14,414,263</u>	<u>\$7,371,799</u>	<u>\$21,786,062</u>

Governmental Activities:

Governmental activities increased the City's net assets by \$1,944,842, thereby accounting for 94.0% of the total growth in the net assets of the City. Key factors of this increase are as follows:

- Property tax revenue increased \$264,230 (2.5%) while operating expenses were held constant.
- Sale of naming rights in the amount of \$1,900,000 was received to fund the construction of a new recreational community center.
- Various construction projects are in progress and amounted to \$7,532,637 in construction cost that were capitalize during the fiscal year. A new recreational community center is under construction and as of June 30, 2004 account's for 79.4% construction in progress.

Business-Type Activities:

Business-type activities increased the City's net assets by \$124,200, accounting for the remaining 6.00% of the total growth in the City's net assets. Key factors of this increase are as follows:

- Operating revenues increased by 12.7% and operating expenses increased by 11.6% during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported combined fund balances of \$4,312,716.

Of this total amount, \$4,136,613 (96%) was unreserved fund balance, which is available for appropriations for the general purpose of the funds. The remainder of the fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$2,009,429 and reserved fund balance was \$176,103. Total fund balance increased by \$1,126,120 during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$36,863,829 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total increase in the City's net investment in capital assets for the current fiscal year was \$6,448,808 (a 26.7% increase for governmental activities and a 2.1% decrease for business-type activities.)

NET CAPITAL ASSETS AT YEAR END
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Capital assets not depreciated:						
Land	\$ 1,213	\$ 1,213	\$ -	\$ -	\$ 1,213	\$ 1,213
Construction in process	1,530	9,063	-	-	1,530	9,063
Capital assets being depreciated:						
Infrastructure	6,091	5,509	-	-	6,091	5,509
Buildings	7,394	7,352	3,136	3,105	10,530	10,457
Machinery and equipment	1,935	1,718	98	82	2,033	1,800
Water sewer and mains	-	-	8,751	8,571	8,751	8,571
Vehicles	<u>221</u>	<u>226</u>	<u>46</u>	<u>24</u>	<u>267</u>	<u>250</u>
Net capital assets	<u>\$18,384</u>	<u>\$25,081</u>	<u>\$12,031</u>	<u>\$11,782</u>	<u>\$30,415</u>	<u>\$36,863</u>

This year's major capital events included the following:

- Construction/restoration of the historical district was completed during the fiscal year.
- Construction on the new recreational community center; construction in progress as of June 30, 2004 totaled \$7,196,944.
- Construction on the Greenway Grant Fund, which will provide citizens with smooth bike trails throughout the city. Construction in progress as of June 30, 2004 totaled \$935,278.

CITY OF FLAT ROCK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Various projects to repair and maintain roads and sidewalks that are in progress as of June 30, 2004 totaled \$525,063.
- Various equipment to maintain infrastructure were acquired for the DPS at a total cost of \$66,000.
- Three new police cruisers were purchased for the City of Flat Rock Police Department at combined cost of \$73,000.

Additional information regarding the City's capital assets can be located in the Note 4 of the notes to basic financial statements.

Long-Term Debt:

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$19,348,809.

OUTSTANDING DEBT AT YEAR END

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General obligation bonds (backed by the City)	\$14,440,000	\$4,809,208	\$19,249,208
Equipment Loans	<u>99,601</u>	<u>-</u>	<u>99,601</u>
	<u>\$14,539,601</u>	<u>\$4,809,208</u>	<u>\$19,348,809</u>

State statutes limit the amount of general obligation debt the City can issue to 10% of its total state equalized assessed value of property. The City's total general obligation debt (\$19,348,809) is significantly lower than the current state-imposed limit of \$41,436,345.

ECONOMIC CONDITION AND OUTLOOK

The City of Flat Rock's budget for 2005 is not recommending any change to the millage rate. The water and sewer rates will continue at \$4.00 residential and \$4.50 for commercial per thousand gallons.

The City's revenue consists of 54.3% tax revenues, 37.4% local sources and 8.3% from state revenue. The City's tax base had a moderate increase of \$186,182 due to new construction and additional personal property reported. Local revenues are projected to be the same as the 2003-2004 fiscal year. State revenue sharing should remain consistent with last year, barring any additional changes in the distribution formula used by the State.

The City's general fund expenditures are allocated 47.8% to public safety, police, fire, and building and safety. The department of public services amounts to 32.7% and the clerk and treasurer departments total 15.0%. In addition, it is recommended that there should be an increase in expenditures over the previous year's budget in the amount of \$62,897. Some of the main contributors to the increases in expenditures were increases in personnel wages, health insurance costs and retirement contributions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to the following:

City of Flat Rock
25500 Gibraltar Road
Flat Rock, Michigan 48134-1399

BASIC FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 5,352,127	\$ 554,958	\$ 5,907,085
Accounts receivable	451,187	189,280	640,467
Internal balances	95	(95)	-
Inventories	8,930	20,572	29,502
Prepaid expenses	167,173	3,528	170,701
Total Current Assets	<u>5,979,512</u>	<u>768,243</u>	<u>6,747,755</u>
Noncurrent Assets			
Bond issuance cost and discounts, net of accumulated amortization	227,342	18,846	246,188
Capital assets, net of accumulated depreciation	25,080,990	11,782,839	36,863,829
Accounts receivable	-	153,667	153,667
Total Noncurrent Assets	<u>25,308,332</u>	<u>11,955,352</u>	<u>37,263,684</u>
TOTAL ASSETS	<u><u>\$ 31,287,844</u></u>	<u><u>\$ 12,723,595</u></u>	<u><u>\$ 44,011,439</u></u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 827,888	\$ 164,918	\$ 992,806
Accrued expenses	77,734	324,368	402,102
External balances	619,856	-	619,856
Current portion of accumulated compensated absences	141,324	7,832	149,156
Current portion of long-term obligations	793,644	451,936	1,245,580
Total Current Liabilities	<u>2,460,446</u>	<u>949,054</u>	<u>3,409,500</u>
Noncurrent Liabilities			
Accumulated compensated absences	667,178	45,470	712,648
Noncurrent portion of long-term obligations	13,745,957	4,357,272	18,103,229
Total Noncurrent Liabilities	<u>14,413,135</u>	<u>4,402,742</u>	<u>18,815,877</u>
TOTAL LIABILITIES	<u>16,873,581</u>	<u>5,351,796</u>	<u>22,225,377</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	10,768,731	6,973,631	17,742,362
Restricted for			
Debt service	324,516	-	324,516
Capital projects	679,219	-	679,219
Unrestricted	2,641,797	398,168	3,039,965
Total Net Assets	<u>14,414,263</u>	<u>7,371,799</u>	<u>21,786,062</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 31,287,844</u></u>	<u><u>\$ 12,723,595</u></u>	<u><u>\$ 44,011,439</u></u>

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities:						
General government	\$ 1,336,387	\$ 141,104	\$ 862,484	\$ (332,799)	\$ -	\$ (332,799)
Police	3,162,862	460,995	7,284	(2,694,583)	-	(2,694,583)
Fire	680,639	107,581	-	(573,058)	-	(573,058)
Building and safety	636,301	421,789	-	(214,512)	-	(214,512)
Public works	1,629,625	200,761	-	(1,428,864)	-	(1,428,864)
Recreation and culture	920,236	147,473	-	(772,763)	-	(772,763)
Library	669,883	615,119	-	(54,764)	-	(54,764)
Community enrichment and development	140,008	283,524	375,000	518,516	-	518,516
Road maintenance and repair	1,268,535	-	443,261	(825,274)	-	(825,274)
Tax refund	3,449,022	-	-	(3,449,022)	-	(3,449,022)
Interest on long-term debt	818,676	-	-	(818,676)	-	(818,676)
Lawsuit settlement	350,000	-	-	(350,000)	-	(350,000)
Miscellaneous	22,284	-	-	(22,284)	-	(22,284)
Total Governmental Activities	<u>15,084,458</u>	<u>2,378,346</u>	<u>1,688,029</u>	<u>(11,018,083)</u>	<u>-</u>	<u>(11,018,083)</u>
Business-type Activities:						
Water and sewer	<u>2,536,782</u>	<u>2,657,446</u>	<u>-</u>	<u>-</u>	<u>120,664</u>	<u>120,664</u>
Total Primary Government	<u>\$ 17,621,240</u>	<u>\$ 5,035,792</u>	<u>\$ 1,688,029</u>	<u>(11,018,083)</u>	<u>120,664</u>	<u>(10,897,419)</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purposes				10,006,407	-	10,006,407
Property taxes, levied for special services				462,078	-	462,078
Sale of naming rights				1,900,000	-	1,900,000
Special assessments for debt service				184,662	-	184,662
Investment earnings				409,778	3,536	413,314
Total General Revenues				<u>12,962,925</u>	<u>3,536</u>	<u>12,966,461</u>
CHANGES IN NET ASSETS				1,944,842	124,200	2,069,042
NET ASSETS, BEGINNING				<u>12,469,421</u>	<u>7,247,599</u>	<u>19,717,020</u>
NET ASSETS, ENDING				<u>\$ 14,414,263</u>	<u>\$ 7,371,799</u>	<u>\$ 21,786,062</u>

The notes to the financial statements are an integral part to this statement.

	General	Tax Increment Finance Authority	Downtown Development Authority	Recreation Center Construction	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 382,166	\$ 1,042,969	\$ 1,096,830	\$ 1,833,071	\$ 997,091	\$ 5,352,127
Receivables:						
Taxes	302,362	-	-	-	-	302,362
Accrued interest and other	73,320	-	-	-	75,159	148,479
Due from other funds	130,585	-	-	-	-	130,585
Note receivable from other funds	2,444,359	-	-	-	-	2,444,359
Due from other governmental units	-	-	-	-	346	346
Inventory	8,930	-	-	-	-	8,930
Prepaid expenses	167,173	-	-	-	-	167,173
TOTAL ASSETS	\$ 3,508,895	\$ 1,042,969	\$ 1,096,830	\$ 1,833,071	\$ 1,072,596	\$ 8,554,361
LIABILITIES AND FUND BALANCE						
<u>LIABILITIES</u>						
Accounts payable	\$ 358,383	\$ -	\$ 76,055	\$ -	\$ 397,522	\$ 831,960
Accrued expenses	77,728	-	-	-	-	77,728
Compensated absences, current	137,252	-	-	-	-	137,252
Due to other funds	750,000	-	-	-	346	750,346
Note payable to other funds	-	1,000,000	-	1,400,000	44,359	2,444,359
TOTAL LIABILITIES	1,323,363	1,000,000	76,055	1,400,000	442,227	4,241,645
<u>FUND BALANCE</u>						
Reserved for:						
Inventory	8,930	-	-	-	-	8,930
Prepaid expenditures	167,173	-	-	-	-	167,173
Undesignated, reported in:						
General fund	2,009,429	-	-	-	-	2,009,429
Special revenue funds	-	42,969	1,020,775	-	59,705	1,123,449
Debt service	-	-	-	-	324,516	324,516
Capital projects	-	-	-	433,071	246,148	679,219
TOTAL FUND BALANCES	2,185,532	42,969	1,020,775	433,071	630,369	4,312,716
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,508,895	\$ 1,042,969	\$ 1,096,830	\$ 1,833,071	\$ 1,072,596	\$ 8,554,361

The notes to the financial statements are an integral part of this statement.

CITY OF FLAT ROCK, MICHIGAN

Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2004

Total Fund Balances for Governmental Funds	\$	4,312,716
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		25,080,990
Compensated absences are not due and payable in the current period and are not reported in the funds.		(667,178)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Other related amounts include unamortized bond cost of \$237,342.		<u>(14,312,265)</u>
Net Assets of Governmental Activities	\$	<u><u>14,414,263</u></u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances Governmental Funds
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	General	Tax Increment Finance Authority	Downtown Development Authority	Recreation Center Construction	Other Governmental Funds	Total
REVENUES						
Property taxes	\$ 5,250,941	\$ 4,293,807	\$ 461,659	\$ -	\$ 462,078	\$ 10,468,485
Sale of naming rights	1,900,000	-	-	-	-	1,900,000
General Government	141,104	-	-	-	-	141,104
Police Department	460,995	-	-	-	-	460,995
Fire Department	107,581	-	-	-	-	107,581
Building and Safety	421,789	-	-	-	-	421,789
Public Works	200,761	-	-	-	-	200,761
Recreation and culture	139,571	-	-	-	-	139,571
Community enrichment and development	77,811	-	-	-	-	77,811
Special assessments	-	-	-	-	184,662	184,662
Internal governmental revenue:						
State grants	862,484	-	-	-	443,261	1,305,745
Federal shared revenue	-	-	-	-	-	-
Greenways grant	-	-	-	-	375,000	375,000
Rental income	-	-	-	-	565,499	565,499
Other		20,210	-	-	250,309	270,519
Interest	377,819	17,396	5,847	4,422	4,294	409,778
Total Revenues	<u>9,940,856</u>	<u>4,331,413</u>	<u>467,506</u>	<u>4,422</u>	<u>2,285,103</u>	<u>17,029,300</u>
EXPENDITURES						
General government	1,330,993	-	-	-	-	1,330,993
Police	3,227,551	-	-	-	-	3,227,551
Fire	630,294	-	-	-	-	630,294
Building and safety	447,992	-	-	-	-	447,992
Public works	1,637,319	-	-	-	-	1,637,319
Recreation and culture	900,569	-	-	-	11,033	911,602
Library	-	-	-	-	506,683	506,683
Community enrichment and development	46,287	-	254,412	6,672,338	789,335	7,762,372
Road maintenance and repair	-	51,090	-	-	917,323	968,413
Tax refund	-	3,435,045	13,977	-	-	3,449,022
Lawsuit settlement	-	-	-	-	350,000	350,000
Debt Service:						
Principal	-	-	-	-	440,000	440,000
Interest	-	-	-	-	818,676	818,676
Miscellaneous	-	-	-	-	22,284	22,284
Total Expenditures	<u>8,221,005</u>	<u>3,486,135</u>	<u>268,389</u>	<u>6,672,338</u>	<u>3,855,334</u>	<u>22,503,201</u>
Excess Revenues (Expenditures)	<u>1,719,851</u>	<u>845,278</u>	<u>199,117</u>	<u>(6,667,916)</u>	<u>(1,570,231)</u>	<u>(5,473,901)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	6,000,000	425,000	6,425,000
Operating transfers in	-	-	-	500,000	1,735,443	2,235,443
Operating transfers out	(593,731)	(791,641)	-	(100,000)	(750,071)	(2,235,443)
Total Other Financing Sources (Uses)	<u>(593,731)</u>	<u>(791,641)</u>	<u>-</u>	<u>6,400,000</u>	<u>1,410,372</u>	<u>6,425,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,126,120	53,637	199,117	(267,916)	(159,859)	951,099
FUND BALANCE, JULY 1, 2003	<u>1,059,412</u>	<u>(10,668)</u>	<u>821,658</u>	<u>700,987</u>	<u>790,228</u>	<u>3,361,617</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ 2,185,532</u>	<u>\$ 42,969</u>	<u>\$ 1,020,775</u>	<u>\$ 433,071</u>	<u>\$ 630,369</u>	<u>\$ 4,312,716</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended June 30, 2004

Net change in fund balance - total governmental funds \$ 951,099

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays and construction in progress as expenditures. However in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and construction in progress exceeded depreciation in the current period.

6,697,255

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Bond proceeds	(6,425,000)	
Bond issuance costs and discounts	234,142	
Principal payments	<u>533,891</u>	(5,656,967)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of current year bond issuance costs and discounts	(6,800)	
Change in long-term compensated absences	<u>(39,745)</u>	<u>(46,545)</u>
Change in Net Assets of Governmental Activities		<u>\$ 1,944,842</u>

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 554,958
Receivables (net)	189,280
Due from other funds	-
Inventories	20,572
Prepaid expenses	3,528
Total Current Assets	<u>768,338</u>
Noncurrent Assets	
Bond issuance cost, net of accumulated amortization	18,846
Capital assets, net of accumulated depreciation	11,782,838
Accounts receivable	153,667
Total Noncurrent Assets	<u>11,955,351</u>
TOTAL ASSETS	<u>\$ 12,723,689</u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 164,918
Accrued and other liabilities	377,669
Due to other funds	95
Current portion of long-term obligations	451,936
Total Current Liabilities	<u>994,618</u>
Noncurrent Liabilities	
General obligation bonds payable	4,809,208
Less current portion shown in current liabilities	451,936
Total Noncurrent Liabilities	<u>4,357,272</u>

NET ASSETS

Investment in capital assets, net of related debt	6,973,631
Unrestricted	398,168
Total Net Assets	<u>7,371,799</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,723,689</u>

Statement of Revenues, Expenses, and Changes
in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>OPERATING REVENUES</u>	
Customer billings	\$ 2,149,003
Capital charges	160,212
Service connections	204,895
Service charges	55,589
Other revenue	87,747
Total Operating Revenues	<u>2,657,446</u>
<u>OPERATING EXPENSES</u>	
Cost of water purchases	577,832
Cost of sewage disposal	533,230
System maintenance and repairs	556,788
General and administrative	274,777
Amortization	7,513
Depreciation, Note 1 and 4	429,143
Total Operating Expenses	<u>2,379,283</u>
OPERATING INCOME	<u>278,163</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	3,536
Interest expense	<u>(157,499)</u>
Total Net Non-Operating Expenses	<u>(153,963)</u>
CHANGE IN NET ASSETS	124,200
TOTAL NET ASSETS, BEGINNING	<u>7,247,599</u>
TOTAL NET ASSETS, ENDING	<u>\$ 7,371,799</u>

The notes to the financial statements are an integral part of this statement.

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 2,052,075
Other operating revenues	508,443
Cash payments for goods and services	(1,687,141)
Cash to employees	(212,315)
Net Cash Provided By Operating Activities	<u>661,062</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of capital assets	(180,695)
Loan to other funds	300,000
Accounts receivable	38,333
Principal paid on revenue and general obligations	(486,986)
Interest paid on revenue and general obligations	(157,499)
Net Cash Used By Capital and Related Financing Activities	<u>(486,847)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on investments	3,536
Net Cash Provided By Investing Activities	<u>3,536</u>
NET INCREASE IN CASH	177,751
<u>CASH BALANCE</u> July 1, 2003	<u>377,207</u>
<u>CASH BALANCE</u> June 30, 2004	<u>\$ 554,958</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income	\$ 278,163
Depreciation	429,143
Amortization	7,513
Change in assets and liabilities:	
Increase in accounts receivable	(96,928)
Decrease in accounts receivable, other	75
Decrease in prepaid expenses	783
Increase in accounts payable, trade	42,767
Increase in accrued expenses and other liabilities	1,993
Decrease in due to other funds	(4,538)
Increase in bonds and deposits	2,091
Net Cash Provided By Operating Activities	<u>\$ 661,062</u>

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Deferred Compensation</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 78,668	\$ 507,956	\$ 1,583	\$ -	\$ 588,207
Due from other funds	750,000	-	-	-	750,000
Due from other governments	-	-	-	-	-
	<u>828,668</u>	<u>507,956</u>	<u>1,583</u>	<u>-</u>	<u>1,338,207</u>
Investments, at fair value:					
Variable annuity funds	-	-	-	1,117,284	1,117,284
TOTAL ASSETS	<u>\$ 828,668</u>	<u>\$ 507,956</u>	<u>\$ 1,583</u>	<u>\$ 1,117,284</u>	<u>\$ 2,455,491</u>
<u>LIABILITIES</u>					
Due to other funds	\$ 130,144	\$ -	\$ -	\$ -	\$ 130,144
Due to other governments	698,524	-	-	-	698,524
Payments received in advance	-	507,956	1,583	-	509,539
Deferred compensation benefits	-	-	-	1,117,284	1,117,284
TOTAL LIABILITIES	<u>\$ 828,668</u>	<u>\$ 507,956</u>	<u>\$ 1,583</u>	<u>\$ 1,117,284</u>	<u>\$ 2,455,491</u>

The notes to the financial statements are an integral part of this statement.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Flat Rock, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Flat Rock.

REPORTING ENTITY – The City was formed as a home rule city in 1965. The City is governed by a Mayor and Council. The Mayor is the chief administrative and executive office of the City and is elected at large for a two-year term in a non-partisan election and has voting power. The Council consists of six members who are also elected at large for four-year terms, in a non-partisan election. The reporting entities included in these financial statements are the City of Flat Rock, Michigan, the primary government, the Tax Increment Finance Authority, the Downtown Development Authority, and the City of Flat Rock Building Authority, the component units.

The basic criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. Oversight responsibility includes the primary government being financially accountable for the potential component unit. Other oversight responsibilities include, but are not limited to, the selection of the governing authority, the designation of management, the ability to approve or modify the budget, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

BLENDED COMPONENT UNITS – These types of component units are reported as though they were part of the primary government, using the blended method.

The Tax Increment Finance Authority (TIFA) was created on April 15, 1985. The intended purpose is to bolster the declining value of the lands located within the district. TIFA has a targeted development area which will be developed and ultimately lead to increasing the values of the properties located within the targeted area. Funding for TIFA is provided by capturing the increased property tax revenues from the increase in assessed valuations of the benefited properties.

The Downtown Development Authority (DDA) was created on April 18, 1988. The intended purpose is to implement improvements to public facilities within the development area to comply with barrier free design requirements and to develop and implement long-range plans designed to halt the deterioration of the property values in the Downtown District. Funding for DDA is provided from the increased property tax revenues from any benefited property.

The City of Flat Rock Building Authority (BA) was created on August 5, 1996. The intended purpose is the acquisition, furnishing, equipping, owning, improving, enlarging, operating and maintaining a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites thereof, together with appurtenant properties and facilities necessary or convenient use thereof, for use for any legitimate public purposes of the City.

Separate financial statements of TIFA, DDA and BA may be obtained from the City offices.

MAJOR TAXPAYER - Approximately 43 percent of property tax revenue is from one Company located in the City of Flat Rock, and 30 percent of water, sewer and industrial charge revenue are from the same company.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, sale of naming rights, intergovernmental revenues, and investment income.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Tax Increment Finance Authority (TIFA) – TIFA is a special revenue fund used to develop and increase the value of properties located within the targeted area.

Downtown Development Authority (DDA) – DDA is a special revenue fund created to prevent deterioration, encourage historical preservation and promote economic growth within the downtown district.

Recreation Center Construction – The Recreation Center Construction Fund is a capital projects fund which is currently building a new recreation facility with the City

In addition the City reports on the following fund types:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operation of an enterprise fund.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUND:

Water and Sewer Fund – The Water and Sewer Fund is an Enterprise Fund. The City operates one Enterprise Fund, which accounts for the operation of the Water and Sewer Systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges. The fund uses full accrual accounting based on Generally Accepted Accounting Principles (GAAP) and follows accounting and financial activities prescribed by the Financial Accounting and Standards Board (FASB) as long as it does not conflict with the Governmental Accounting Standards Board (GASB) guidance.

FIDUCIARY FUNDS:

Agency Funds - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Any residual balances outstanding between the governmental and business-type activities with fiduciary funds are reported in the government-wide financial statements as “external balances.”

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Equipment and Meters	10 to 30 years
Vehicles	5 to 12 years
Water and Sewer Mains	50 years
Roads and infrastructure	10 to 30 years

Compensated Absences (Vacation and Sick Leave) – It is the government’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Property Taxes - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of December 31 each year. City taxes are levied and immediately due the following July 1 with final collection date August 31 without penalty. Taxes unpaid after August 31 are subject to interest, penalties and collection fees. Wayne County, Michigan (the “County”) is responsible for the collection of real property taxes of the City which are delinquent as of March 1 of each fiscal year. The County purchases from the City all delinquent real property taxes from a tax payment fund established by the County. In return, the City has assigned to the County all amounts payable to the City from the taxpayers with respect to such delinquent real property taxes.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE -2-STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information - Budgets are adopted on the modified accrual basis consistent with generally accepted accounting principles except that operating transfers are reported as revenue and expenditures. Annual appropriated budgets are adopted for the General, Special Revenue, Capital Project Funds and the following Debt Service Funds – Aspen Drive, Building Authority, Transportation Bond General Obligation, Building Authority Ball and Ice, Huron Woods Series A Retirement, Huron Woods Series B Retirement, and Seneca Sewer and Water Fund. Annual budgets lapse at year-end.

The level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the department (activity) level for the General Fund and the activity level for Special Revenue and Debt Service Funds.

The governing body must approve budget amendments at the activity level and supplemental appropriation, which affect total fund expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year ended June 30, 2004, the City incurred expenditures in certain budgetary funds, which were in excess of amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
Major Street Fund	\$275,870	\$321,291	(\$45,421)
Local Street Fund	\$483,923	\$490,847	(\$6,924)
Building Authority	\$128,820	\$147,020	(\$18,200)
Transportation Bond General Obligation	\$26,526	\$26,675	(\$149)
Building Authority Ball and Ice	\$439,510	\$440,510	(\$1,000)
Huron Woods Series A Retirement	\$65,005	\$65,239	(\$234)
Huron Woods Series B Retirement	\$24,241	\$24,354	(\$113)
Playscape	\$2,000	\$11,033	(\$9,033)
Sidewalk Replacement Construction Fund	\$80,000	\$105,185	(\$25,185)

The City's appropriation resolution is generally passed proceeding the fiscal year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next fiscal year.

Compliance with the Single Audit Act Amendments of 2003 – After examination by the auditors, a compilation audit in accordance with the Single Audit Act was not necessary since the City did meet the threshold requirement.

NOTE -3- CASH AND CASH EQUIVALENTS:

As of June 30, 2004, the carrying value of cash and cash equivalent (consisting of checking accounts, savings accounts, and certificate of deposits) was \$7,612,576 and the bank balance was \$7,899,680. Of the bank balance, \$100,000 was covered by federal depository insurance and \$7,799,680 was uninsured and uncollateralized.

Notes to Financial Statements
June 30, 2004

NOTE 4- CAPITAL ASSETS:

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$1,213,229	\$ -	\$ -	\$ 1,213,229
Construction in progress	<u>1,530,600</u>	<u>7,677,197</u>	<u>144,560</u>	<u>9,063,237</u>
Subtotal	<u>2,743,829</u>	<u>7,677,197</u>	<u>144,560</u>	<u>10,276,466</u>
Capital Assets Being Depreciated				
Infrastructure	16,796,442	-	-	16,796,442
Buildings	9,242,280	144,560	-	9,386,840
Machinery and Equipment	3,293,700	129,672	-	3,423,372
Vehicles	<u>485,695</u>	<u>72,829</u>	<u>-</u>	<u>558,524</u>
Subtotal	<u>29,818,117</u>	<u>347,061</u>	<u>-</u>	<u>30,165,178</u>
Less Accumulated Depreciation for				
Infrastructure	(10,705,443)	(582,297)	-	(11,287,740)
Buildings	(1,847,922)	(186,973)	-	(2,034,895)
Machinery and Equipment	(1,359,580)	(345,336)	-	(1,704,916)
Vehicles	<u>(265,266)</u>	<u>(67,837)</u>	<u>-</u>	<u>(333,103)</u>
Subtotal	<u>(14,178,211)</u>	<u>(1,182,443)</u>	<u>-</u>	<u>15,360,654</u>
Net Capital Assets Being Depreciated	<u>15,639,906</u>	<u>(835,382)</u>	<u>-</u>	<u>14,804,524</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$18,383,735</u>	<u>\$6,841,815</u>	<u>\$144,560</u>	<u>\$25,080,990</u>
Business – Type Activities				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$15,712,599	\$ 145,058	\$ -	\$15,857,657
Buildings	4,128,564	35,638	-	4,164,202
Equipment and Meters	310,523	-	-	310,523
Vehicles	<u>265,685</u>	<u>-</u>	<u>-</u>	<u>265,685</u>
Subtotal	<u>20,417,371</u>	<u>180,696</u>	<u>-</u>	<u>20,598,067</u>
Less Accumulated Depreciation for				
Water and Sewer Mains	(6,961,256)	(325,729)	-	(7,286,985)
Buildings	(992,211)	(66,618)	-	(1,058,829)
Equipment and Meters	(212,344)	(15,730)	-	(228,074)
Vehicles	<u>(220,274)</u>	<u>(21,066)</u>	<u>-</u>	<u>(241,340)</u>
Subtotal	<u>(8,386,085)</u>	<u>(429,143)</u>	<u>-</u>	<u>(8,815,228)</u>
Business Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$12,031,286</u>	<u>\$ (248,447)</u>	<u>\$ -</u>	<u>\$11,782,839</u>

NOTE -4- CAPITAL ASSETS: (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Road Maintenance and Repair	\$ 582,297
Building and Safety	187,295
Library	162,535
Public Works	92,793
Police	70,556
Fire	64,905
Recreational Culture	16,360
General Government	<u>5,702</u>
Total Governmental Activities	<u>\$1,182,443</u>
Business – Type Activities	
Sewer Systems	\$ 274,887
Buildings	66,618
Water Mains	50,842
Vehicles	21,066
Equipment	12,571
Pumps, Hydrants and Meters	<u>3,159</u>
Total Business – Type Activities	<u>\$ 429,143</u>

NOTE -5- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS:

“Total fund balances” of the City’s governmental funds \$4,312,716 on the Governmental Funds Balance Sheet differs from “net assets” of governmental activities \$14,414,263 reported in the statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current resources focus of the governmental fund balance sheets. The following is a description of each difference found on the reconciliation of governmental funds balance sheet and statement of net assets:

1. When capital assets (land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However the statement of net assets includes those assets among the assets of the City as a whole.

Cost of capital assets	\$ 40,441,644
Accumulated depreciation	<u>(15,360,654)</u>
	<u>\$ 25,080,990</u>

2. Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. The balance of bonds payable as of June 30, 2004 is \$14,539,601 and is recognized as a liability on the statement of net assets but not on the governmental funds balance sheet. In addition, unamortized bond cost of (\$227,342) is recognized as a noncurrent asset on the statement of net assets but not on the governmental funds balance sheet.
3. The City provides employees with sick and vacation leave, which can be accumulated and redeemed for compensation at retirement. This leave is referred to as accumulated compensated absences. Leave not used within at the end of the fiscal year is not payable from current resources and is not recognized on the governmental funds balance sheet. The amount of \$667,178 is recognized as a long-term liability on the statement of net assets. The amount payable by fund is as follows:

NOTE -5- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS: (continued)

Police	\$414,657
Public works	119,914
Fire	49,298
General government	39,638
Building and safety	18,695
Recreation	13,178
Library	<u>11,798</u>
	<u>\$667,178</u>

NOTE -6- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND STATEMENT OF ACTIVITIES:

The "net change in fund balances" for governmental funds \$951,099 on the Statement of Revenues, Expenditures and Changes in Fund Balance differs from the "change in net assets" for governmental activities \$1,944,842 reported in the Statement of Activities. The difference arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The following is a description of each difference found on the reconciliation of statement of revenues, expenditures and changes in fund balance to the statement of activities:

1. Capital outlays and construction in progress are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. The costs of these outlays are spread over the estimated useful lives of the assets (depreciation) in the statement of activities. The difference is illustrated below:

Construction in progress	\$ 7,677,197
Capital outlays as expenditures in fiscal year 2003-2004	202,501
Depreciation	<u>(1,182,443)</u>
	<u>\$ 6,697,255</u>

2. Principal on long-term debt was increased by \$5,891,109. The debt was originally issued to purchase and construct capital assets. Bond issuance cost and discounts in the amount of (\$234,142) are amortized over the term of the related debt. The outstanding liability is reported as reduction on net assets. Increasing the liability reduces net assets.
3. Amortization of current year bond issuance cost and discounts and the change in the long-term expense for accumulated compensation absences reported in the statement of activities and not the statement of revenues, expenditures and changes in fund balance is as follows:

Amortization expense	\$ 6,800
<u>Compensation absences</u>	
Fire	10,452
General government	8,395
Public works	8,128
Police	6,903
Recreation	4,187
Building and safety	1,013
Library	<u>667</u>
	<u>\$ 46,545</u>

NOTE -7- PENSION PLAN:**Description of the Plan:**

The City of Flat Rock participates in the Municipal Employees Retirement System of Michigan (MERS) which is an agent multiple-employer Public Employee Retirement System (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 220, Public Acts of 1996, as amended, and the Constitution of the State of Michigan. The City has no fiduciary responsibility for the plan.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

NOTE -7- PENSION PLAN: (continued)

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.0% of the member's final average compensation (F.A.C.). The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits.

Actuarial valuations of each participating municipality in the MERS are prepared annually to determine the actuarial condition of the Retirement System and the employer contribution rates required to fund MERS on an actual reserve basis. The calculated employer contribution rates derived from the actuarial valuation as of December 31, 2003, are based on the present provisions of the Municipal Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised). A comprehensive annual financial report of MERS may be obtained from the office of the City of Flat Rock, Michigan.

Effective dates for participation in the plan differ by employee bargaining group. The effective dates are as follows:

July 1, 1978 -	Hourly Employees and Administrative/Non-Union
July 1, 1984 -	DPW Union
July 1, 1985 -	Police Union

Upon the effective date for each respective bargaining group, all full time employees of the City are eligible to participate in the plan. As of December 31, 2003, the latest valuation date, the City had 71 employees of which 71 were covered employees. In addition, 2 inactive vested members and 37 retirees were also covered. As of December 31, 2003, the assets of MERS allocated to The City of Flat Rock amounted to about \$8,148,540 at market value and \$8,923,963 at actuarial value.

Funding Policy:

Each member contributes a percent of annual compensation, as selected by the City of Flat Rock. Any percentage from 0% to 10% (in .1% increments) may be selected. A 3% to 5% contribution program was available prior to 1985 and may be continued, but not adopted, after 1984. Under this program the member contributes 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

If a member leaves the employ of the municipality, or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 1.5%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary (after spousal consent, if applicable)

Funding the Retirement System on an actual reserve basis seeks to achieve 1) level required contribution rates as a percentage of payroll; 2) finance benefits earned by present employees on a current basis; 3) accumulate assets to enhance members' benefit security; 4) produce investment earnings on accumulated assets to help meet future benefit costs; 5) make it possible to estimate the long-term actuarial cost of proposed amendments to System provisions; 6) assist in maintaining the Retirement Systems financial viability.

The basic funding objective is a level pattern of cost as a percentage of salary throughout an employee's working lifetime. The funding method used in the actuarial valuation – the entry age normal cost method – is intended to meet this objective and result in a relatively level long-term contribution requirement as a percentage of salary.

Under the entry age normal cost method, the total actuarially-determined contribution requirement is the sum of the normal cost and the payment required to amortize the unfunded accrued liability over an amortization period of 30 years (up to 37 years for municipalities that have participated in MERS for less than 10 years), less the accelerated funding credit, if available. Active member payroll is assumed to increase 4.5% a year for the purpose of determining level percent contributions.

Total covered payroll for the year ended December 31, 2003, was \$3,560,199 and the annual estimated contribution for the fiscal year beginning July 1, 2005, is \$505,908. During the fiscal year's ended June 30, 2004, 2003, and 2002, employer contributions totaling \$359,300, \$399,000, and \$383,033, respectively, were made.

Results of Actuarial Valuation:

The actuarial valuation of the liabilities and contribution rates resulting from the participation of the City of Flat Rock in MERS as of December 31, 2003, is based on the pension benefit provision of MERS, as governed by Act No. 220 of the Public Acts of 1996, as amended and the MERS plan document as revised, the characteristics of active and inactive MERS members, the assets attributable to MERS members of the City of Flat Rock and the actuarial assumptions and funding method, which include an investment yield rate of 8% and the entry age normal actuarial cost method.

NOTE -7- PENSION PLAN: (continued)Results of Actuarial Valuation (continued)

The actuarial accrued liability using the entry age normal actuarial method is calculated as follows:

Retirees and beneficiaries currently receiving benefits	\$ 8,718,879
Terminated employees not yet receiving benefits	144,145
Non-vested terminated employees (pending refunds of accumulated Member contributions)	32,476
Current employees ---	
Accumulated employee contributions including allocated investment income	1,484,915
Employer financed	<u>4,179,177</u>
Total Actuarial Accrued Liability	14559,592
Net Assets Available for Benefits, at Actuarial Value (market value is \$8,148,540)	<u>8,923,963</u>
Unfunded Actuarial Accrued Liability	<u>\$ 5,635,629</u>

The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

The actuarial accrued liability represents the difference between the present value of all future benefits and the present value of future normal costs. The unfunded actuarial accrued liability (i.e. the actuarial accrued liability less assets accumulated as of the valuation date), is then amortized as noted above. The components of the employer contribution rate (i.e. the normal cost and amortization payment) and the estimated dollar contributions for the fiscal year beginning July 1, 2005, are as follows:

Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2005

		<u>Employer Contributions</u> <u>As Percentages of Payroll and Dollars</u>	
<u>Valuations Division</u>	<u>Normal Cost</u>	<u>Unfunded</u> <u>Accrued Liability</u>	<u>Totals</u>
<u>Cost of Percentage of Payroll</u>			
General – Cleric	6.37%	.40%	6.77%
Police – POAM	4.90	1.78	6.68
General – DPW Union	5.24	6.31	11.55
Dept. Heads	9.20	17.76	26.96
Adm. Emp. (Non-Union)	7.26	(1.84)	5.42
Police Chief/Deputy Chief	5.13	102.10	107.23
COAM	4.84	11.91	16.75
<u>Estimated Monthly Contributions*</u>			
General – Clerical	\$ 1,576	\$ 99	\$ 1,675
Police – POAM	3,652	1,327	4,979
General – DPW Union	3,914	4,713	8,627
Dept. Heads	3,227	6,229	9,456
Adm. Emp. (Non Union)	1,773	(449)	1,324
Police Chief/Deputy Chief	312	6,214	6,526
COAM	<u>2,766</u>	<u>6,806</u>	<u>9,572</u>
Total Municipality	<u>\$17,220</u>	<u>\$24,939</u>	<u>\$42,159</u>

NOTE -7- PENSION PLAN: (continued)Results of Actuarial Valuation (continued)Estimated Annual Contributions*

Total Municipality	\$206,640	\$299,268	\$505,908
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*Based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher).
Unfunded accrued liabilities, if any, are financed over a period of 30 years.

During the 1980's, the Retirement Board had implemented a program of contribution credits which give recognition of accelerated funding levels. The accelerated funding credit allows, in certain situations, for contributions to temporarily be reduced from the regular contribution shown above. For the fiscal year beginning July 1, 2004, no accelerated funding credits were available to the City of Flat Rock.

There is no single all-encompassing test for measuring a retirement system's funding process and current funded status. However, some common indicators of the progress that a retirement system has achieved in funding their obligations include observing the changes over time in the following items:

1. The ratio of valuation assets to actuarial accrued liabilities.
2. The pattern of unfunded actuarial accrued liability as a percentage of active payroll.
3. The ratio of valuation assets to the actuarial present value of vested benefits.

The following is a schedule of the historical changes in the first two funding measures:

<u>Valuation Date December 31,</u>	<u>Accrued Liabilities</u>	<u>Valuation Assets</u>	<u>Funded Percent</u>	<u>Unfunded Actuarial Liability</u>	<u>UAL as Percent of Annual Payroll</u>
1989	2,721,160	3,537,982	130	(816,822)	0
1990	3,106,936	3,871,598	125	(764,662)	0
1991	3,477,348	4,374,022	126	(896,674)	0
1992	4,124,955	4,831,241	117	(706,286)	0
1993	6,387,389	5,166,850	81	1,220,539	70
1994	7,164,146	5,291,598	74	1,872,548	98
1995	7,985,825	5,481,237	69	2,504,588	127
1996	9,468,660	5,723,546	60	3,745,114	181
1997	9,846,172	6,074,279	62	3,771,893	166
1998	10,463,586	6,654,032	64	3,809,554	150
1999	11,208,496	7,471,471	67	3,737,025	139
2000	12,517,271	8,088,957	65	4,428,314	157
2001	13,286,141	8,542,736	64	4,743,405	155
2002	14,063,800	8,558,105	61	5,505,695	166
2003	14,559,592	8,923,963	61	5,635,629	158

Notes: Actuarial assumptions were revised for the 1993, 1997 and 2000 actuarial valuations.
The funding method was changed to entry age normal for the 1993 valuation.

NOTE -7- PENSION PLAN: (continued)

The following is a comparative schedule of the present value of vested benefits compared to present value of accrued benefits:

<u>Type of Member</u>	<u>Present Value of Vested Benefits</u>	<u>Present Value of Accrued Benefits</u>
Active Members		
General – Clerical	\$ 109,925	\$ 155,963
Police – POAM	243,084	253,957
General – DPW Union	436,649	526,797
Dept. Heads	437,514	542,771
Admin. Employee. (Non Union)	35,214	53,386
Police Chief/Deputy Chief	469,075	339,463
COAM	<u>633,512</u>	<u>973,246</u>
Totals	2,364,973	2,845,583
Vested Former Members	144,145	144,145
Pending Refunds	32,476	32,476
Retired Members and Beneficiaries	<u>8,718,879</u>	<u>8,718,879</u>
Total Present Value of Benefits	11,260,473	11,741,083
Total Valuation Assets	<u>8,923,963</u>	<u>8,923,963</u>
Excess Value of Benefits Over Valuation Assets	\$ <u>2,336,510</u>	\$ <u>2,817,120</u>

Comment: The present value of vested benefits represents the vested benefits payable in the event that all active members terminate employment on December 31, 2003, based upon valuation interest and mortality assumptions. The present value of accrued benefits includes vested and non-vested benefits.

NOTE -8- LONG-TERM DEBT:

The following is a summary of the outstanding debt of the City of Flat Rock as of June 30, 2004:

	<u>TYPE OF DEBT</u>	<u>NO. OF ISSUES</u>	<u>INTEREST RATE</u>	<u>MATURING THROUGH</u>	<u>PRINCIPAL OUTSTANDING</u>
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GOVERNMENTAL ACTIVITIES:General Obligation Bonds Payable:

1995 Special Assessment Limited Tax Bonds	General Obligation	1	5.20% to 6.50%	2004	\$ 10,000
2000 Special Assessment, Series B Limited Tax Bonds	General Obligation	1	6.75% to 7.75%	2010	110,000
1993 Michigan Transportation Fund Bonds	General Obligation	1	3.00% to 5.4%	2008	110,000
2000 Special Assessment, Series A Limited Tax Bonds	General Obligation	1	4.80% to 5.70%	2010	335,000
1997 Michigan Transportation Fund Bonds	General Obligation	1	4.00% to 5.20%	2013	555,000

NOTE -8- LONG-TERM DEBT: (continued)

Installment Purchase Agreement Series 1997	General Obligation	1	4.90% to 7.07%	2013	\$ 1,065,000
2004 Building Authority & Building Authority Refunding Bonds	General Obligation	1	2.00% to 4.40%	2017	1,720,000
Building Authority Bond Series 2000	General Obligation	1	5.92%	2020	4,535,000
2004 Taxable Adjustable Rate Tax Increment Financing Bonds	General Obligation	1	1.50%	2024	<u>6,000,000</u>
Total General Obligation Bonds Payable					<u>14,440,000</u>
<u>Other Long-Term Obligations:</u>					
Equipment	Lease Purchase Agreement	1	12.25%	2007	4,298
Equipment	Lease Purchase Agreement	1	6.90%	2006	12,400
Equipment	Lease Purchase Agreement	1	6.55%	2007	17,593
Equipment	Lease Purchase Agreement	1	5.58%	2007	<u>65,310</u>
Total Other Long-Term Obligations					<u>99,601</u>
TOTAL GOVERNMENTAL ACTIVITIES					<u>14,539,601</u>
<u>BUSINESS TYPE ACTIVITIES:</u>					
Wayne County Sewage Disposal System	General Obligation	2	3.60% to 6.75%	2010	458,936
Wayne County Sewage Disposal Refunding Bonds	General Obligation	1	3.15% to 5.9%	2007	697,110
South Huron Valley Utility Authority Substitution Fund Bonds; 1991 Series	General Obligation	1	2.00%	2011	820,823
South Huron Valley Utility Authority 1998 Sewer System Plant Acquisition Bonds	General Obligation	1	2.25%	2020	<u>2,832,339</u>
TOTAL BUSINESS TYPE ACTIVITIES					<u>4,809,208</u>
TOTAL LONG-TERM DEBT OUTSTANDING					<u>\$19,348,809</u>

CITY OF FLAT ROCK, MICHIGAN

Notes to Financial Statements
June 30, 2004

NOTE -8- LONG-TERM DEBT: (continued)

The following is a summary of debt transactions of the City for the year ended June 30, 2004:

	<u>ENTERPRISE FUND</u>	<u>GENERAL OBLIGATIONS</u>	<u>TOTAL</u>
Balance at July 1, 2003	\$5,296,193	\$ 8,648,498	\$13,944,691
Debt issued	-	7,720,000	7,720,000
Debt retired	<u>(486,985)</u>	<u>(1,828,897)</u>	<u>(2,315,882)</u>
Balance at June 30, 2004	<u>\$4,809,208</u>	<u>\$14,539,601</u>	<u>\$19,348,809</u>

Estimated annual principal and interest requirements for all outstanding debt listed above are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/05	\$ 1,245,580	\$ 670,090	\$ 1,915,670
6/30/06	1,192,574	612,927	1,805,501
6/30/07	1,296,709	560,233	1,856,942
6/30/08	1,244,230	508,125	1,752,355
6/30/09	1,311,510	465,014	1,776,524
6/30/10	1,336,813	413,489	1,750,302
6/30/11	1,087,729	362,940	1,450,669
6/30/12	1,007,254	324,969	1,332,223
6/30/13	1,045,942	290,923	1,336,865
6/30/14	849,015	261,450	1,110,465
6/30/15	887,702	232,005	1,119,707
6/30/16	922,005	200,704	1,122,709
6/30/17	960,692	167,148	1,127,840
6/30/18	999,995	131,966	1,131,961
6/30/19	879,297	98,668	977,965
6/30/20	923,599	67,176	990,775
6/30/21	963,163	33,886	997,049
6/30/22	380,000	14,068	394,068
6/30/23	400,000	8,165	408,165
6/30/24	<u>415,000</u>	<u>2,012</u>	<u>417,012</u>
	<u>\$19,348,809</u>	<u>\$5,425,958</u>	<u>\$24,774,767</u>

Interest is payable on all bond obligations semi-annually. Principal installments are made annually. Total interest expense for the City for the year ended June 30, 2004, approximated \$976,000.

NOTE -9- INTERFUND RECEIVABLES:

The following are the interfund receivables and payables of the City as of June 30, 2004:

<u>GENERAL FUND -</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Special Revenue Funds	\$ 346	\$ -
Enterprise Fund	95	-
Fiduciary Fund	<u>130,144</u>	<u>750,000</u>
TOTAL GENERAL FUND	<u>130,585</u>	<u>750,000</u>

NOTE -9- INTERFUND RECEIVABLES: (continued)

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>SPECIAL REVENUE FUNDS -</u>		
Block Grant Fund:		
General Fund	\$ _____	\$ 346
TOTAL SPECIAL REVENUE FUNDS	_____	_____ 346
 <u>ENTERPRISE FUND -</u>		
General Fund	_____	_____ 95
TOTAL ENTERPRISE FUND	_____	_____ 95
 <u>FIDUCIARY FUNDS -</u>		
Tax Collection:		
General Fund	750,000	130,144
TOTAL TRUST AND AGENCY FUNDS	750,000	130,144
 TOTAL INTERFUND RECEIVABLES AND PAYABLES	 \$880,585	 \$880,585

NOTE -10- INTERFUND OPERATING TRANSFERS:

The following are interfund operating transfers of the City at June 30, 2004

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>GENERAL FUND -</u>		
Special Revenue Funds:		
Local Street Fund	\$ -	\$ 297,049
Library Fund	-	90,000
Debt Service Funds:		
Aspen Drive Fund	-	143,682
Capital Projects Funds:		
Sidewalk replacement fund	_____	63,000
TOTAL GENERAL FUND	_____	593,731
 <u>TAX INCREMENT FINANCE AUTHORITY FUND -</u>		
Debt Service Funds:		
TIFA Debt Service Fund	-	491,641
Capital Projects Funds:		
Recreation Center Construction Fund	_____	300,000
TOTAL TAX INCREMENT FINANCE AUTHORITY FUND	_____	791,641
 <u>RECREATION CENTER CONSTRUCTION FUND -</u>		
TIFA Debt Service Fund	200,000	100,000
Tax Increment Finance Authority Fund	300,000	_____
TOTAL RECREATION CENTER CONSTRUCTION FUND	500,000	100,000

NOTE -10- INTERFUND OPERATING TRANSFERS: (continued)

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>SPECIAL REVENUE FUNDS -</u>		
Major Street Fund:		
Local Street Fund	\$ -	\$ 166,847
Transportation Bond Retirement Fund	511	-
Local Street Fund:		
General Fund	297,049	-
Major Street Fund	166,847	-
Transportation Bond General Obligation Fund	-	26,868
Aspen Drive Fund	-	73,826
Library Fund:		
General Fund	90,000	-
Building Authority Construction	-	216,019
TOTAL SPECIAL REVENUE FUNDS	<u>554,407</u>	<u>483,560</u>
<u>DEBT SERVICE FUNDS -</u>		
Aspen Drive Fund:		
General Fund	143,682	-
Local Street Fund	73,826	-
Transportation Bond General Obligation Fund:		
Local Street Fund	26,868	-
Building Authority Ball-Ice Debt Service Fund:		
Building Authority Construction	23,000	-
Transportation Bond Retirement Fund	-	511
TIFA Debt Service Fund		
Tax Increment Finance Authority	491,641	-
Recreation Center Construction Fund	100,000	200,000
Special Assessment Sidewalks Fund:		
Sidewalk Replacement Construction Fund	-	43,000
TOTAL DEBT SERVICE FUNDS	<u>859,017</u>	<u>243,511</u>
<u>CAPITAL PROJECTS FUND -</u>		
Building Authority:		
Building Authority Debt Service	-	23,000
Building Authority:		
Library Fund	216,019	-
Sidewalk Replacement Construction Fund:		
General Fund	63,000	-
Special Assessment Sidewalks Fund	43,000	-
TOTAL CAPITAL PROJECTS FUNDS	<u>322,019</u>	<u>23,000</u>
 TOTAL INTERFUND OPERATING TRANSFERS	 <u>\$2,235,443</u>	 <u>\$2,235,443</u>

NOTE -11- RISK MANAGEMENT:

The City purchases commercial insurance covering risks of loss arising from torts, asset theft, damage or destruction, business interruption, errors and omissions, job related illness or injuries to employees, workers compensation, accident, health, and other medical benefits.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is the defendant in several legal actions which have arisen in the ordinary course of operations. These actions are not anticipated to have a significant effect on the financial condition of the City.

NOTE -12- DEFERRED COMPENSATION PLAN:

The City has a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by an independent plan administrator. The Plan is available to all City employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The Deferred Compensation Plan is recorded in the Agency Fund. The Plan's assets are presented at fair market value and captioned as "investments" with corresponding liabilities captioned "deferred compensation benefits".

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits of the Plan), subject to the claims of the City's general creditors. Participant's rights under the Plan are equal to those of the general creditors of the City in the amount equal to the fair market value of the deferred amount for each participant.

The City has no liability for losses under the Plan agreement but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors.

NOTE -13- POST RETIREMENT BENEFITS:

The City provides health care benefits to retirees. These benefits are paid annually from the General Fund.

The total cost to the City for health care benefits for the year ended June 30, 2004, was \$790,000 for approximately 69 active employees and 38 retirees.

NOTE -14- ADVANCE REFUND OF SEWAGE DISPOSAL BONDS:

On May 24, 1994, the City issued \$2,295,441 of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds with variable interest rates (3.15% to 5.19%) to advance refund \$2,175,000 of outstanding Wayne County Sewage Disposal (Flat Rock System) Bonds dated July 1, 1970, with variable interest rates (6% to 8%). The net proceeds of \$2,242,444 (after payment of \$52,997 in underwriting fees and issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1970 Series Bonds. As a result, the 1970 Series Bonds are considered to be nullified and the liability for those bonds has been removed from the Enterprise-Water and Sewer Fund. At June 30, 2004, the balance of the defeased 1970 Series Bonds was \$750,000.

The City advance refunded the 1970 Series Bonds to reduce its total debt service payments over the next 14 years by \$91,612 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$67,211.

NOTE -15- MICHIGAN TAX TRIBUNAL:

Currently the City of Flat Rock has numerous matters pending before the State of Michigan Tax Tribunal requesting the lowering of local real and personal property taxes. No single matter taken alone would significantly affect the tax base of the City.

NOTE -16- JOINT VENTURE:

Naming Rights Agreement – The City of Flat Rock, in conjunction with Auto Alliance International, Inc., (AAI), Ford Motor Company and Mazda Motor Corporation has agreed to the sale of naming rights for a new community center. The City is building a new recreational community center in which AAI has agreed, under general terms and conditions, to purchase the right to name the (“New Community Center”) for \$6.1 million. AAI will pay in three installments as follows: (a) \$2,000,000 to be paid at the time the City has demonstrated to AAI that it has completed the formal architectural plans for the New Community Center, has hired a contractor to construct the New Community Center, it has financing to complete the New Community Center and it has held the formal ground breaking ceremony. (b) \$1,900,000 to be paid at the time the contractor certifies that the construction of the New Community Center is 50% completed. (c) \$2,200,000 to be paid when the City has held a grand opening ceremony and the New Community Center is open for business.

NOTE -17- COMMITMENT:

The City has committed to advance funds in the amount of \$4,800,000, at 7% interest, to the Tax Increment Finance Authority (TIFA) for construction of the above Community Center. Repayment of these advances is agreed in a promissory note dated June 22, 2004. As of June 30, 2004, advances to date are \$2,444,359.

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>REVENUES:</u>				
Property taxes	\$ 5,296,793	\$ 5,253,599	\$ 5,250,941	\$ (2,658)
Sale of naming rights	485,000	1,900,000	1,900,000	-
General Government	9,400	140,405	141,104	699
Police Department	399,610	459,473	460,995	1,522
Fire Department	74,550	131,629	107,581	(24,048)
Building and Safety:				
Building permits	180,000	210,306	215,912	5,606
Electrical permits	82,000	67,019	71,902	4,883
Plumbing permits	64,500	51,066	54,195	3,129
Mechanical permits	53,000	51,054	59,240	8,186
Other revenues	21,700	17,675	20,540	2,865
Public Works	121,000	150,916	200,761	49,845
Recreation and culture	112,600	124,660	139,571	14,911
Community enrichment and development	72,300	77,801	77,811	10
State Shared Revenues	895,199	827,718	862,484	34,766
Interest	33,000	376,156	377,819	1,663
TOTAL REVENUES	7,900,652	9,839,477	9,940,856	101,379
<u>EXPENDITURES:</u>				
<u>GENERAL GOVERNMENT:</u>				
Legislative:				
Elected officials wages	10,000	10,000	10,000	-
Judicial:				
Legal fees	40,000	36,026	48,307	(12,281)
District court	321,708	361,691	361,607	84
Total Judicial	361,708	397,717	409,914	(12,197)
Elections:				
Supervisory	4,000	2,275	3,025	(750)
Clerical	4,000	4,400	5,655	(1,255)
Overtime	2,000	689	708	(19)
Payroll tax	800	589	702	(113)
Fees and per diem	9,500	3,211	3,211	-
Office supplies	1,000	250	1,787	(1,537)
Operating supplies	4,000	3,627	4,082	(455)
Meal allowance	300	132	132	-
Advertising	1,500	500	434	66
Insurance and bond	1,440	1,215	1,215	-
Equipment maintenance	3,000	100	50	50
Capital outlay	4,000	-	-	-
Total Elections	35,540	16,988	21,001	(4,013)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Clerk and Treasurer:				
Supervisory	\$ 87,964	\$ 87,887	\$ 90,186	\$ (2,299)
Mechanic	600	1,500	1,096	404
Janitor	40,893	42,389	41,705	684
Clerical	180,811	179,847	180,285	(438)
Overtime	5,000	5,700	5,586	114
Overtime custodian	7,500	5,200	5,847	(647)
Overtime park maintenance	9,500	6,528	5,945	583
Payroll taxes	29,182	28,731	28,475	256
Hospitalization	68,109	79,238	82,830	(3,592)
Employee life insurance	1,890	1,890	1,890	-
Longevity pay	950	950	950	-
Sick and vacation pay	-	-	2,779	(2,779)
Retirement contribution	45,902	53,007	50,502	2,505
Office supplies	20,500	17,880	15,523	2,357
Fees and per diem	250	100	-	100
Gasoline and oil, etc.	500	656	748	(92)
Operating supplies	3,000	1,551	1,353	198
Medical expense	500	100	100	-
Computer expense	23,000	20,969	19,504	1,465
Clothing	400	446	726	(280)
Custodian supplies	3,500	2,490	3,548	(1,058)
Pond sprinklers	8,500	7,272	5,855	1,417
Audit fee	11,000	12,150	12,150	-
Tax roll preparation	10,000	8,808	9,523	(715)
Membership and dues	14,000	13,782	15,331	(1,549)
Telephone	13,500	13,584	13,945	(361)
Meal allowance	500	680	600	80
Public relations	5,000	5,782	5,833	(51)
Reimburse employee's Blue Cross	31,564	32,859	28,658	4,201
Reading building	8,500	5,977	5,933	44
Advertising	2,000	100	277	(177)
Capital outlay	-	3,200	-	3,200
Education and training	5,500	1,600	2,301	(701)
Insurance and bonds	33,000	31,444	30,743	701
Utilities	36,500	43,320	35,322	7,998
Building maintenance	58,123	49,899	66,661	(16,762)
Equipment maintenance	5,000	12,088	10,451	1,637
Equipment rental	1,500	3,619	7,555	(3,936)
Civil defense	300	230	321	(91)
Miscellaneous	5,000	7,823	16,188	(8,365)
Tax refunds	1,500	7,522	7,523	(1)
Auto Alliance tax appeal	-	-	3,000	(3,000)
Land acquisition	1,000	-	-	-
Interest	1,500	557	526	31
Total City Clerk and Treasurer	783,438	799,355	818,274	(18,919)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Assessor:				
Assessor salary	\$ 10,000	\$ 10,000	\$ 10,000	-
Clerical	15,679	15,579	12,337	3,242
Overtime	500	335	280	55
Payroll taxes	1,294	1,266	962	304
Fees and per diem	500	1,200	1,200	-
Office supplies	1,600	150	35	115
Computer expense	1,500	1,357	1,259	98
Meal allowance	100	-	-	-
Tax roll preparation	10,000	8,066	9,283	(1,217)
Membership and dues	250	100	90	10
Advertising	500	220	117	103
Education and training	500	-	-	-
Insurance and bond	855	742	726	16
Miscellaneous	500	100	-	100
Total City Assessor	43,778	39,115	36,289	2,826
City Attorney:				
Retainer	22,000	22,000	22,000	-
Labor	20,000	21,000	11,308	9,692
Other matters	5,000	-	-	-
Total City Attorney	47,000	43,000	33,308	9,692
City Engineer:				
Consulting fees	10,000	1,500	2,207	(707)
TOTAL GENERAL GOVERNMENT	1,291,464	1,307,675	1,330,993	(23,318)
<u>POLICE DEPARTMENT:</u>				
Supervisory	74,422	74,422	73,850	572
Lieutenants	304,742	298,287	322,578	(24,291)
Sergeants	287,492	271,638	288,470	(16,832)
Patrolmen	712,732	715,373	740,749	(25,376)
Dispatch	64,517	56,623	62,345	(5,722)
Ordinance officer	19,355	21,570	23,628	(2,058)
Administrative assistant	33,946	33,946	34,337	(391)
Downriver mutual aid	2,000	1,100	2,010	(910)
Mechanic wages	45,000	28,948	34,359	(5,411)
Janitor wages	30,000	27,434	29,122	(1,688)
Temporary wages	27,500	25,326	24,992	334
Shift differential	11,000	9,707	9,936	(229)
Overtime	125,000	115,678	133,661	(17,983)
Payroll taxes	151,810	145,066	148,539	(3,473)
Holiday pay premium	45,000	37,842	48,652	(10,810)
Hospitalization	378,239	368,145	370,574	(2,429)
Employee life insurance	7,308	7,245	7,245	-
Longevity pay	12,000	11,224	11,224	-
Retirement contribution	158,765	226,736	255,108	(28,372)
Sick and vacation pay	-	-	2,438	(2,438)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>POLICE DEPARTMENT (continued):</u>				
Office supplies	\$ 5,000	\$ 3,907	\$ 4,210	(303)
Postage	1,000	869	870	(1)
Dog expenses	6,500	7,535	7,601	(66)
Gas and oil	22,000	24,362	24,429	(67)
Operating supplies	6,500	3,700	3,705	(5)
Photographic supplies	4,000	750	2,099	(1,349)
Medical expenses	6,500	7,246	8,591	(1,345)
Jail expenses	40,000	32,127	33,927	(1,800)
Prisoner medical	1,500	200	-	200
OUIL expenses	-	-	45,511	(45,511)
Computer expense	12,500	17,681	20,755	(3,074)
Clothing	46,000	38,392	39,415	(1,023)
Custodial supplies	3,000	2,035	3,130	(1,095)
Auxiliary police	5,000	750	600	150
Membership dues	1,000	750	450	300
Legal fees	5,000	6,830	16,309	(9,479)
Telephone	14,500	16,195	17,105	(910)
Meal allowance	2,000	1,602	1,455	147
Gun allowance	7,500	7,843	7,843	-
Gun range	5,000	4,023	3,498	525
Public relations	3,000	1,968	1,968	-
Reimburse employee's Blue Cross	51,425	71,007	72,884	(1,877)
Advertising	1,500	2,010	2,925	(915)
Education and training	17,000	12,979	9,859	3,120
Insurance and bonds	57,000	70,634	64,937	5,697
Insurance claims deductible	1,000	500	-	500
Utilities	25,000	20,917	33,768	(12,851)
Building maintenance	7,500	9,062	11,020	(1,958)
Equipment maintenance	8,000	12,334	12,672	(338)
Equipment lease	30,000	23,161	23,838	(677)
Auto maintenance	25,000	31,479	34,425	(2,946)
Equipment rental	7,500	4,891	4,938	(47)
Mutual aid	4,500	4,083	4,083	-
Miscellaneous	3,000	1,748	2,193	(445)
Interest	1,000	661	659	2
Capital outlay	82,188	79,057	82,062	(3,005)
TOTAL POLICE DEPARTMENT	3,009,941	2,999,598	3,227,551	(227,953)
<u>FIRE DEPARTMENT</u>				
Chief and assistant salaries	59,082	58,542	57,200	1,342
Mechanic	6,000	2,768	2,779	(11)
Janitor	7,500	8,045	8,714	(669)
Clerical	500	-	-	-
Full time employees	278,929	226,176	243,602	(17,426)
Overtime	30,000	800	461	339
Payroll taxes	30,609	24,410	25,194	(784)
Holiday pay	3,500	6,146	6,993	(847)

The notes to the financial statements are an integral part of this statement.

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>FIRE DEPARTMENT (continued):</u>				
Hospitalization	\$ 66,707	\$ 37,932	\$ 37,932	-
Employee life	1,764	1,323	1,323	-
Longevity pay	600	600	600	-
Retirement contribution	28,510	20,296	22,867	(2,571)
Sick pay	-	-	2,710	(2,710)
Office supplies	2,500	4,480	4,352	128
Operating supplies	10,000	10,709	12,362	(1,653)
Gas and oil	2,500	2,778	2,608	170
Operating supplies	3,000	3,332	5,301	(1,969)
Medical expenses	8,000	2,348	2,915	(567)
Clothing	8,000	1,365	1,976	(611)
Custodial supplies	1,500	571	538	33
Ambulance billing service	7,500	8,669	10,349	(1,680)
Membership and dues	2,000	1,167	2,459	(1,292)
Legal fees	1,000	-	28,801	(28,801)
Telephone	7,500	7,055	7,057	(2)
Meal allowance	600	150	348	(198)
Public relation	3,000	500	1,898	(1,398)
Reimbursement blue cross	-	11,414	11,416	(2)
Advertising	500	955	955	-
Education and training	12,000	11,418	13,791	(2,373)
Insurance and bond	26,000	26,986	25,658	1,328
Utilities	17,500	14,380	18,341	(3,961)
Building maintenance	25,000	4,000	5,706	(1,706)
Equipment maintenance	25,000	32,516	32,887	(371)
Equipment lease	4,000	4,587	3,440	1,147
Bond principal	20,370	23,444	19,691	3,753
Interest	279	268	232	36
Mutual aid	3,000	1,560	1,580	(20)
Capital outlay	-	5,060	5,258	(198)
TOTAL FIRE DEPARTMENT	704,450	566,750	630,294	(63,544)
<u>BUILDING AND SAFETY:</u>				
Supervisory	51,690	51,690	52,287	(597)
Ordinance Officer	12,903	8,791	9,673	(882)
Mechanic	500	500	272	228
Clerical	50,227	50,084	53,508	(3,424)
Inspector	81,842	50,204	52,249	(2,045)
Overtime	800	3,981	4,748	(767)
Payroll taxes	16,367	13,907	14,029	(122)
Hospitalization	57,261	43,567	43,569	(2)
Sick and vacation pay	-	-	(1,670)	1,670
Fee per diem	250	100	-	100
Employee life insurance	1,134	998	924	74
Retirement contribution	22,379	18,615	20,295	(1,680)
Office supplies	4,000	3,607	3,882	(275)
Gas and oil	4,000	966	919	47

The notes to the financial statements are an integral part of this statement.

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>BUILDING AND SAFETY (continued):</u>				
Operating supplies	\$ 3,000	\$ 3,252	\$ 2,624	\$ 628
Computer expense	4,000	850	5,028	(4,178)
Clothing	300	100	96	4
Membership and dues	750	455	453	2
Consultant fees	2,000	500	194	306
Inspections:				-
Mechanical	18,000	43,616	45,539	(1,923)
Electrical	40,000	55,921	53,445	2,476
Plumbing	13,000	38,664	39,308	(644)
Telephone	9,000	6,347	6,265	82
Auto expense	3,000	2,950	3,079	(129)
Meal allowance	450	180	150	30
Reimburse employee's Blue Cross	6,926	13,202	12,655	547
Advertising	500	600	579	21
Education and training	3,000	2,000	1,992	8
Insurance and bond	15,000	16,492	14,946	1,546
Utilities	3,500	2,615	3,335	(720)
Miscellaneous	2,000	1,000	1,141	(141)
Capital outlay	7,500	-	2,478	(2,478)
TOTAL BUILDING AND SAFETY	<u>435,279</u>	<u>435,754</u>	<u>447,992</u>	<u>(12,238)</u>
<u>PUBLIC WORKS:</u>				
Supervisory	81,240	81,240	82,478	(1,238)
Labor	287,313	219,131	237,706	(18,575)
Mechanic	28,916	49,542	52,228	(2,686)
Temporary	30,000	24,407	20,092	4,315
Overtime	40,000	13,012	18,446	(5,434)
Overtime department heads	4,000	4,437	4,569	(132)
Payroll taxes	41,413	33,951	37,104	(3,153)
Hospitalization	273,261	234,955	239,291	(4,336)
Employee life insurance	5,712	4,284	4,284	-
Longevity pay	4,200	4,135	4,135	-
Retirement contribution	72,020	78,462	90,582	(12,120)
Sick and vacation pay	-	-	(604)	604
Office supplies	2,000	1,585	2,189	(604)
Gas and oil	17,000	15,007	16,954	(1,947)
Operating supplies	12,000	12,892	18,387	(5,495)
Medical expenses	4,000	1,064	2,235	(1,171)
Clothing	13,600	11,875	11,829	46
Custodial supplies	1,000	925	1,176	(251)
Membership and dues	800	150	60	90
Consulting fees	2,000	500	1,144	(644)
Garbage pick up	268,000	409,272	281,698	127,574
Hazardous waste pickup	-	14,264	7,133	7,131
Street lighting	125,000	128,353	136,950	(8,597)

The notes to the financial statements are an integral part of this statement.

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>PUBLIC WORKS (continued)</u>				
Tree removal	\$ 2,000	-	-	-
Telephone	6,000	9,142	9,435	(293)
Meal allowance	1,500	500	900	(400)
Reimburse employee's Blue Cross	28,395	27,692	26,794	898
Advertising	1,000	100	1,150	(1,050)
War memorial	-	5,216	-	5,216
Education and training	5,300	3,959	3,971	(12)
Insurance and bond	43,840	52,758	48,435	4,323
Utilities	17,200	18,379	18,418	(39)
Building maintenance	14,000	9,854	13,835	(3,981)
Cemetery maintenance	1,500	1,500	1,350	150
Equipment maintenance	55,000	54,508	54,247	261
Equipment lease	45,000	28,156	45,786	(17,630)
Park maintenance	20,000	11,952	12,809	(857)
Miscellaneous	1,000	500	35	465
Capital outlay	109,000	117,225	121,103	(3,878)
Interest	5,000	3,681	8,985	(5,304)
TOTAL PUBLIC WORKS	1,669,210	1,688,565	1,637,319	51,246
<u>RECREATION AND CULTURE:</u>				
Recreation:				
Supervisory	52,982	52,982	53,593	(611)
Mechanic	2,500	2,500	2,468	32
Clerical	9,902	9,902	8,942	960
Temporary	50,000	45,349	39,746	5,603
Bus transportation	16,000	13,526	7,567	5,959
Programmers	52,374	45,819	39,812	6,007
Consulting fees	11,000	850	-	850
Overtime	5,000	1,816	1,467	349
Payroll taxes	15,614	14,202	13,019	1,183
Hospitalization	6,112	15,499	15,501	(2)
Employee life insurance	756	504	541	(37)
Retirement contribution	16,319	13,659	15,421	(1,762)
Sick pay	-	-	(63)	63
Office supplies	7,500	3,597	4,140	(543)
Postage	4,000	2,033	2,316	(283)
Gas and oil	2,500	1,515	1,077	438
Operating supplies	9,000	2,285	7,725	(5,440)
Playground equipment	2,000	-	170	(170)
Computer expense	16,760	15,000	17,868	(2,868)
Membership and dues	1,000	550	352	198
River fest	10,000	88	123	(35)
Telephone	9,500	8,528	8,987	(459)
Travel expense	15,000	12,500	6,819	5,681
Adult softball	10,000	8,500	4,130	4,370

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Recreation (continued):				
Youth baseball	\$ 3,000	\$ 2,700	\$ 1,530	\$ 1,170
Safety town	300	175	471	(296)
Youth programs	15,000	11,500	14,525	(3,025)
Adult programs	8,000	19,159	18,248	911
Concession stand	3,000	350	116	234
MRPA programs	15,000	14,021	16,564	(2,543)
Meal allowance	400	250	165	85
Public relations	100	75	50	25
Reimburse employee's Blue Cross	6,418	5,633	5,635	(2)
Advertising	6,500	5,981	6,896	(915)
Utilities	100	20	-	20
Education and training	1,000	150	75	75
Insurance and bond	9,700	12,091	11,422	669
Arts council	20,000	15,500	16,582	(1,082)
Equipment maintenance	6,000	3,865	4,500	(635)
Equipment rental	4,000	3,746	3,746	-
Miscellaneous	4,000	2,083	2,071	12
Total Recreation	<u>428,337</u>	<u>368,503</u>	<u>354,317</u>	<u>14,186</u>
Senior Citizens:				
Janitor	5,200	8,402	8,598	(196)
Payroll taxes	400	659	656	3
Operating supplies	100	100	60	40
Custodial supplies	1,000	375	250	125
Meal allowance	100	50	50	-
Telephone	900	1,088	1,057	31
Meals on Wheels	5,500	4,439	4,437	2
Advertising	100	-	-	-
Insurance and bond	1,700	1,574	1,560	14
Utilities	3,000	4,113	5,321	(1,208)
Building maintenance	1,000	2,909	2,953	(44)
Miscellaneous	500	150	28	122
Total Senior Citizens	<u>19,500</u>	<u>23,859</u>	<u>24,970</u>	<u>(1,111)</u>
Youth Center:				
Janitor	5,250	11,146	9,421	1,725
Payroll taxes	400	874	709	165
Custodial supplies	1,500	450	249	201
Telephone	800	1,037	1,019	18
Meal allowance	50	-	-	-
Insurance and bond	1,700	1,635	1,620	15
Utilities	2,500	2,279	2,346	(67)
Building maintenance	1,000	1,000	1,403	(403)
Miscellaneous	500	75	-	75
Total Youth Center	<u>13,700</u>	<u>18,496</u>	<u>16,767</u>	<u>1,729</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Ball field, Fountain & Ice Rink:				
Ball field maintenance	\$ 40,000	\$ 50,736	\$ 53,401	(2,665)
Ice rink maintenance	30,000	37,670	37,688	(18)
Payroll taxes	5,600	6,934	5,728	1,206
Ball field material and supplies	10,000	30,268	33,773	(3,505)
Ice rink material and supplies	7,500	7,818	7,997	(179)
Meal allowance	-	770	590	180
Insurance and bonds	2,100	2,172	2,172	-
Ball field utilities	11,000	14,279	14,125	154
Ice rink utilities	25,000	10,569	12,062	(1,493)
Building rent	336,979	336,978	336,979	(1)
Total Ball field, Fountain & Ice Rink	468,179	498,194	504,515	(6,321)
 TOTAL RECREATION AND CULTURE	 929,716	 909,052	 900,569	 8,483
COMMUNITY ENRICHMENT AND DEVELOPMENT				
Planning Commission:				
Clerical	4,250	686	918	(232)
Payroll taxes	340	54	67	(13)
Fees and per diem	1,200	1,435	1,435	-
Special meetings	500	-	-	-
Office supplies	350	100	643	(543)
Consultant fees	12,500	6,633	7,698	(1,065)
Revisions of Ordinance	10,000	-	-	-
Special planning work	3,000	750	346	404
Advertising	750	1,324	1,124	200
Education and training	500	200	200	-
Insurance and bond	895	744	726	18
Total Planning Commission	34,285	11,926	13,157	(1,231)
Zoning Board of Appeals:				
Clerical	1,500	1,027	1,223	(196)
Overtime department heads	850	236	354	(118)
Payroll taxes	188	99	225	(126)
Fees and per diem	750	315	365	(50)
Office supplies	200	75	112	(37)
Consultant	500	-	95	(95)
Advertising	1,000	550	826	(276)
Education and training	100	-	-	-
Insurance and bond	1,200	1,079	1,062	17
Total Zoning Board of Appeals	6,288	3,381	4,262	(881)
Beautification:				
Clerical	500	298	344	(46)
Payroll taxes	40	23	29	(6)
Fees and per diem	1,260	1,000	960	40
Office supplies	100	50	30	20

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Beautification (continued):				
Seeding and planting	\$ 5,000	\$ 5,000	\$ 3,523	\$ 1,477
Public relations	8,000	2,500	8,381	(5,881)
Advertising	300	-	-	-
Insurance and bond	902	751	732	19
Maintenance fee	3,500	4,889	4,889	-
Pole decorations	5,000	4,500	3,393	1,107
Miscellaneous	1,000	750	482	268
Capital outlay	2,500	2,500	1,925	575
Total Beautification	28,102	22,261	24,688	(2,427)
Cable Commission:				
Fees and per diem	908	810	1,125	(315)
Gas and oil	50	-	-	-
Membership dues	100	-	-	-
Travel	100	-	-	-
Public relations	500	-	-	-
Advertising	500	-	-	-
Education and training	100	-	-	-
Insurance and bond	850	726	726	-
Equipment maintenance	500	-	-	-
Capital outlay	500	2,329	2,329	-
Total Cable Commission	4,108	3,865	4,180	(315)
TOTAL COMMUNITY ENRICHMENT AND DEVELOPMENT	72,783	41,433	46,287	(4,854)
TOTAL EXPENDITURES	8,112,843	7,948,827	8,221,005	(272,178)
EXCESS REVENUES	(212,191)	1,890,650	1,719,851	(170,799)
<u>OTHER FINANCING SOURCES (USES):</u>				
Interfund Transfers				
Special Revenue Funds	(390,000)	(620,905)	(387,049)	233,856
Debt Service Funds	(163,301)	(143,682)	(143,682)	-
Capital Project Funds	(40,000)	(63,000)	(63,000)	-
Total Interfund Transfers	(593,301)	(827,587)	(593,731)	233,856
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES	(805,492)	1,063,063	1,126,120	63,057
Fund Balance, July 1, 2003	1,059,412	1,059,412	1,059,412	-
Fund Balance, June 30, 2004	\$ 253,920	\$ 2,122,475	\$ 2,185,532	\$ 63,057

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Tax Increment Finance Authority
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Revenues				
Taxes captured	\$ 4,354,505	\$ 4,293,807	\$ 4,293,807	\$ -
Other	-	20,210	20,210	-
Interest	30,000	18,240	17,396	(844)
Total Revenues	<u>4,384,505</u>	<u>4,332,257</u>	<u>4,331,413</u>	<u>(844)</u>
Expenditures				
Road maintenance and repair	50,900	45,921	51,090	(5,169)
Tax refund	3,483,604	3,435,045	3,435,045	-
Total Expenditures	<u>3,534,504</u>	<u>3,480,966</u>	<u>3,486,135</u>	<u>(5,169)</u>
EXCESS REVENUES (EXPENDITURES)	<u>850,001</u>	<u>851,291</u>	<u>845,278</u>	<u>(6,013)</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers				
Debt Service Funds	(620,000)	(502,527)	(491,641)	10,886
Recreation Center Construction Fund	-	-	(300,000)	(300,000)
Total Interfund Transfers	<u>(620,000)</u>	<u>(502,527)</u>	<u>(791,641)</u>	<u>(289,114)</u>
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURE	<u>230,001</u>	<u>348,764</u>	<u>53,637</u>	<u>(295,127)</u>
Fund Balance, July 1, 2003	<u>(10,668)</u>	<u>(10,668)</u>	<u>(10,668)</u>	<u>-</u>
Fund Balance, June 30, 2004	<u>\$ 219,333</u>	<u>\$ 338,096</u>	<u>\$ 42,969</u>	<u>\$ (295,127)</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Downtown Development Authority
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Revenues				
Taxes captured	\$ 464,000	\$ 472,000	\$ 461,659	\$ (10,341)
Interest	6,000	6,000	5,847	(153)
Total Revenues	<u>470,000</u>	<u>478,000</u>	<u>467,506</u>	<u>(10,494)</u>
Expenditures				
Community enrichment and development	385,032	357,915	254,412	103,503
Tax refund	-	-	13,977	(13,977)
Total Expenditures	<u>385,032</u>	<u>357,915</u>	<u>268,389</u>	<u>89,526</u>
EXCESS REVENUES (EXPENDITURES)	84,968	120,085	199,117	79,032
Fund Balance, July 1, 2003	<u>821,658</u>	<u>821,658</u>	<u>821,658</u>	<u>-</u>
Fund Balance, June 30, 2004	<u>\$ 906,626</u>	<u>\$ 941,743</u>	<u>\$ 1,020,775</u>	<u>\$ 79,032</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Recreation Center Construction Fund
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Revenues				
Interest	\$ 2,500	\$ 2,500	\$ 4,422	\$ 1,922
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>4,422</u>	<u>1,922</u>
Expenditures				
Community enrichment and development	7,018,365	7,018,365	6,672,338	346,027
Total Expenditures	<u>7,018,365</u>	<u>7,018,365</u>	<u>6,672,338</u>	<u>346,027</u>
EXCESS REVENUES (EXPENDITURES)	(7,015,865)	(7,015,865)	(6,667,916)	347,949
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	5,955,000	5,955,000	6,000,000	45,000
Interfund Transfers				
Debt Service Funds	-	-	(100,000)	(100,000)
Debt Service Funds	-	-	200,000	200,000
Tax Increment Finance Authority Fund	-	-	300,000	300,000
Total Other Financing Sources	<u>5,955,000</u>	<u>5,955,000</u>	<u>6,400,000</u>	<u>445,000</u>
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURE	(1,060,865)	(1,060,865)	(267,916)	792,949
Fund Balance, July 1, 2003	<u>700,987</u>	<u>700,987</u>	<u>700,987</u>	<u>-</u>
Fund Balance, June 30, 2004	<u>\$ (359,878)</u>	<u>\$ (359,878)</u>	<u>\$ 433,071</u>	<u>\$ 792,949</u>

The notes to the financial statements are an integral part of this statement.

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 200,199	\$ 368,875	\$ 428,017	\$ 997,091
Accounts receivable	26,626	-	48,533	75,159
Due from other governmental units	346	-	-	346
TOTAL ASSETS	\$ 227,171	\$ 368,875	\$ 476,550	\$ 1,072,596
<u>LIABILITIES</u>				
Accounts payable	\$ 167,120	\$ -	\$ 230,402	\$ 397,522
Notes payable	-	44,359	-	44,359
Due to other funds	346	-	-	346
Total Liabilities	167,466	44,359	230,402	442,227
<u>FUND BALANCE</u>				
Reserved for debt service	-	324,516	-	324,516
Reserved for capital projects	-	-	246,148	246,148
Unreserved	59,705	-	-	59,705
Total Fund Balances	59,705	324,516	246,148	630,369
TOTAL LIABILITIES AND FUND BALANCES	\$ 227,171	\$ 368,875	\$ 476,550	\$ 1,072,596

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>REVENUES</u>				
Property taxes	\$ 462,078	\$ -	\$ -	\$ 462,078
Special assessments	-	184,662	-	184,662
State-shared revenue	443,261	-	-	443,261
Greenways grant	-	-	375,000	375,000
Rental income	-	565,499	-	565,499
Other	64,806	-	185,503	250,309
Interest	1,779	1,167	1,348	4,294
Total Revenues	<u>971,924</u>	<u>751,328</u>	<u>561,851</u>	<u>2,285,103</u>
<u>EXPENDITURES</u>				
Recreation and culture	-	-	11,033	11,033
Library	506,683	-	-	506,683
Community enrichment and development	68,059	-	721,276	789,335
Road maintenance and repair	812,138	-	105,185	917,323
Lawsuit settlement	-	-	350,000	350,000
Debt Service				
Principal	-	440,000	-	440,000
Interest	-	818,676	-	818,676
Miscellaneous	-	22,284	-	22,284
Total Expenditures	<u>1,386,880</u>	<u>1,280,960</u>	<u>1,187,494</u>	<u>3,855,334</u>
Excess Revenues (Expenditures)	<u>(414,956)</u>	<u>(529,632)</u>	<u>(625,643)</u>	<u>(1,570,231)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond proceeds	-	-	425,000	425,000
Operating transfers in	554,407	859,017	322,019	1,735,443
Operating transfers out	<u>(483,560)</u>	<u>(243,511)</u>	<u>(23,000)</u>	<u>(750,071)</u>
Total Other Financing Sources (Uses)	<u>70,847</u>	<u>615,506</u>	<u>724,019</u>	<u>1,410,372</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(344,109)</u>	<u>85,874</u>	<u>98,376</u>	<u>(159,859)</u>
FUND BALANCE, JULY 1, 2003	<u>403,814</u>	<u>238,642</u>	<u>147,772</u>	<u>790,228</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ 59,705</u>	<u>\$ 324,516</u>	<u>\$ 246,148</u>	<u>\$ 630,369</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

Combining Balance Sheet
Non-major Governmental Funds
Special Revenue Funds
June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	BLOCK GRANT FUND	MAJOR STREET FUND	LOCAL STREET FUND	HISTORICAL DISTRICT FUND	CONCESSION STAND FUND	POLICE FORFEIT FUND	PUBLIC ACT 302	LIBRARY FUND	TOTAL
<u>ASSETS</u>									
Cash and cash equivalents	\$ -	\$ 56,185	\$ 22,836	\$ 62,616	\$ 14,520	\$ 6,157	\$ 4,091	\$ 33,794	\$ 200,199
Accounts receivable	-	-	-	4,413	-	-	-	22,213	26,626
Due from other funds	-	-	-	-	-	-	-	-	-
Due from other governmental units	346	-	-	-	-	-	-	-	346
TOTAL ASSETS	\$ 346	\$ 56,185	\$ 22,836	\$ 67,029	\$ 14,520	\$ 6,157	\$ 4,091	\$ 56,007	\$ 227,171
<u>LIABILITIES</u>									
Accounts payable	\$ -	\$ 120,418	\$ 23,971	\$ 10,582	\$ -	\$ 23	\$ -	\$ 12,126	\$ 167,120
Due to other funds	346	-	-	-	-	-	-	-	346
TOTAL LIABILITIES	346	120,418	23,971	10,582	-	23	-	12,126	167,466
<u>FUND BALANCE</u>	-	(64,233)	(1,135)	56,447	14,520	6,134	4,091	43,881	59,705
TOTAL LIABILITIES AND FUND BALANCE	\$ 346	\$ 56,185	\$ 22,836	\$ 67,029	\$ 14,520	\$ 6,157	\$ 4,091	\$ 56,007	\$ 227,171

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	BLOCK GRANT FUND	MAJOR STREET FUND	LOCAL STREET FUND	HISTORICAL DISTRICT FUND	CONCESSION STAND FUND	POLICE FORFEIT FUND	PUBLIC ACT 302	LIBRARY FUND	TOTAL
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ 92,430	\$ -	\$ -	\$ -	\$ 369,648	\$ 462,078
Federal shared revenue	-	-	-	-	-	-	-	-	-
State shared revenue	-	305,835	125,929	-	-	-	-	11,497	443,261
Other	-	-	-	-	7,902	1,338	5,946	49,620	64,806
Interest	-	562	153	466	-	42	45	511	1,779
Total Revenues	-	306,397	126,082	92,896	7,902	1,380	5,991	431,276	971,924
EXPENDITURES									
Road maintenance and repair		321,291	490,847	-	-	-	-	-	812,138
Community enrichment and development	-	-	-	47,661	3,939	6,413	10,046	-	68,059
Capital outlay	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	506,683	506,683
Total Expenditures	-	321,291	490,847	47,661	3,939	6,413	10,046	506,683	1,386,880
Excess Revenues (Expenditures)	-	(14,894)	(364,765)	45,235	3,963	(5,033)	(4,055)	(75,407)	(414,956)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	511	463,896	-	-	-	-	90,000	554,407
Operating transfers out	-	(166,847)	(100,694)	-	-	-	-	(216,019)	(483,560)
Total Other Financing Sources (Uses)	-	(166,336)	363,202	-	-	-	-	(126,019)	70,847
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(181,230)	(1,563)	45,235	3,963	(5,033)	(4,055)	(201,426)	(344,109)
FUND BALANCE, July 1, 2003	-	116,997	428	11,212	10,557	11,167	8,146	245,307	403,814
FUND BALANCE, June 30, 2004	\$ -	\$ (64,233)	\$ (1,135)	\$ 56,447	\$ 14,520	\$ 6,134	\$ 4,091	\$ 43,881	\$ 59,705

The notes to the financial statements are an integral part of this statement.

Combining Balance Sheet
Non-major Governmental Funds
Debt Service Funds
June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	ASPEN DRIVE DEBT SERVICE FUND	BUILDING AUTHORITY DEBT SERVICE FUND	TRANSPORT- ATION BOND GENERAL OBLIGATION	TRANSPORT- ATION BOND RETIREMENT FUND	BUILDING AUTHORITY BALL-ICE DEBT SERVICE FUND	HURON WOODS SERIES A RETIREMENT FUND	HURON WOODS SERIES B RETIREMENT FUND	SENECA SEWER & WATER FUND	SPECIAL ASSESSMENT SIDEWALKS FUND	TIFA DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>											
Cash and cash equivalents	\$ 2,535	\$ 11,240	\$ 267	\$ -	\$ 28,019	\$ 158,824	\$ 59,041	\$ 13,227	\$ 7,399	\$ 88,323	\$ 368,875
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u><u>\$ 2,535</u></u>	<u><u>\$ 11,240</u></u>	<u><u>\$ 267</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,019</u></u>	<u><u>\$ 158,824</u></u>	<u><u>\$ 59,041</u></u>	<u><u>\$ 13,227</u></u>	<u><u>\$ 7,399</u></u>	<u><u>\$ 88,323</u></u>	<u><u>\$ 368,875</u></u>
<u>LIABILITIES</u>											
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,359	\$ 44,359
Total Liabilities	-	-	-	-	-	-	-	-	-	44,359	44,359
<u>FUND BALANCE</u>	<u>2,535</u>	<u>11,240</u>	<u>267</u>	<u>-</u>	<u>28,019</u>	<u>158,824</u>	<u>59,041</u>	<u>13,227</u>	<u>7,399</u>	<u>43,964</u>	<u>324,516</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,535</u></u>	<u><u>\$ 11,240</u></u>	<u><u>\$ 267</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,019</u></u>	<u><u>\$ 158,824</u></u>	<u><u>\$ 59,041</u></u>	<u><u>\$ 13,227</u></u>	<u><u>\$ 7,399</u></u>	<u><u>\$ 88,323</u></u>	<u><u>\$ 368,875</u></u>

The notes to the financial statements are an integral part of these statement.

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Debt Service Funds
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	ASPEN DRIVE DEBT SERVICE FUND	BUILDING AUTHORITY DEBT SERVICE FUND	TRANSPORT- ATION BOND GENERAL OBLIGATION	TRANSPORT- ATION BOND RETIREMENT FUND	BUILDING AUTHORITY BALL-ICE DEBT SERVICE FUND	HURON WOODS SERIES A RETIREMENT FUND	HURON WOODS SERIES B RETIREMENT FUND	SENECA SEWER & WATER FUND	SPECIAL ASSESSMENT SIDEWALKS FUND	TIFA DEBT SERVICE FUND	TOTAL
REVENUES											
Rental income	\$ -	\$ 128,520	\$ -	\$ -	\$ 436,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 565,499
Special assessment	-	-	-	-	-	104,223	34,741	-	45,698	-	184,662
Interest and other	26	42	5	3	146	444	259	98	59	85	1,167
Total Revenues	26	128,562	5	3	437,125	104,667	35,000	98	45,757	85	751,328
EXPENDITURES											
Debt Service											
Principal	130,000	60,000	20,000	-	160,000	45,000	15,000	10,000	-	-	440,000
Interest	87,626	68,520	6,225	-	279,060	19,580	8,941	962	-	347,762	818,676
Miscellaneous	662	18,500	450	-	1,450	659	413	150	-	-	22,284
Total Expenditures	218,288	147,020	26,675	-	440,510	65,239	24,354	11,112	-	347,762	1,280,960
Excess Revenues (Expenditures)	(218,262)	(18,458)	(26,670)	3	(3,385)	39,428	10,646	(11,014)	45,757	(347,677)	(529,632)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	217,508	23,000	26,868	-	-	-	-	-	-	591,641	859,017
Operating transfers out	-	-	-	(511)	-	-	-	-	(43,000)	(200,000)	(243,511)
Total Other Financing Sources (Uses)	217,508	23,000	26,868	(511)	-	-	-	-	(43,000)	391,641	615,506
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(754)	4,542	198	(508)	(3,385)	39,428	10,646	(11,014)	2,757	43,964	85,874
FUND BALANCE, July 1, 2003	3,289	6,698	69	508	31,404	119,396	48,395	24,241	4,642	-	238,642
FUND BALANCE, June 30, 2004	\$ 2,535	\$ 11,240	\$ 267	\$ -	\$ 28,019	\$ 158,824	\$ 59,041	\$ 13,227	\$ 7,399	\$ 43,964	\$ 324,516

The notes to the financial statements are an integral part of this statement.

	<u>PLAYSCAPE FUND</u>	<u>BUILDING AUTHORITY</u>	<u>GREENWAY GRANT FUND</u>	<u>SIDEWALK REPLAC- EMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,342	\$ 313,794	\$ 106,940	\$ 941	\$ 428,017
Accounts receivable	-	-	48,533	-	48,533
TOTAL ASSETS	<u>\$ 6,342</u>	<u>\$ 313,794</u>	<u>\$ 155,473</u>	<u>\$ 941</u>	<u>\$ 476,550</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 50,000	\$ 180,402	\$ -	\$ 230,402
TOTAL LIABILITIES	-	50,000	180,402	-	230,402
<u>FUND BALANCE</u>	<u>6,342</u>	<u>263,794</u>	<u>(24,929)</u>	<u>941</u>	<u>246,148</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,342</u>	<u>\$ 313,794</u>	<u>\$ 155,473</u>	<u>\$ 941</u>	<u>\$ 476,550</u>

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Capital Project Funds
For the Year Ended June 30, 2004

CITY OF FLAT ROCK, MICHIGAN

	PLAYSCAPE FUND	BUILDING AUTHORITY	GREENWAY GRANT FUND	SIDEWALK REPLAC- EMENT FUND	TOTAL
REVENUES					
Interest	\$ 97	\$ 1,091	\$ 141	\$ 19	\$ 1,348
Greenways grant	-	-	375,000	-	375,000
Other revenues	-	-	185,503	-	185,503
Contributions	-	-	-	-	-
Total Revenues	<u>97</u>	<u>1,091</u>	<u>560,644</u>	<u>19</u>	<u>561,851</u>
EXPENDITURES					
Road maintenance and repair	-	-	-	105,185	105,185
Recreation and culture	11,033	-	-	-	11,033
Community enrichment and development	-	110,994	610,282	-	721,276
Lawsuit settlement	-	350,000	-	-	350,000
Total Expenditures	<u>11,033</u>	<u>460,994</u>	<u>610,282</u>	<u>105,185</u>	<u>1,187,494</u>
Excess Revenues (Expenditures)	<u>(10,936)</u>	<u>(459,903)</u>	<u>(49,638)</u>	<u>(105,166)</u>	<u>(625,643)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	425,000	-	-	425,000
Operating transfers in	-	216,019	-	106,000	322,019
Operating transfers out	-	(23,000)	-	-	(23,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>618,019</u>	<u>-</u>	<u>106,000</u>	<u>724,019</u>
Excess of Revenues and Other Sources Over (Under) Expenditures And Other Uses	(10,936)	158,116	(49,638)	834	98,376
FUND BALANCE, July 1, 2003	<u>17,278</u>	<u>105,678</u>	<u>24,709</u>	<u>107</u>	<u>147,772</u>
FUND BALANCE, June 30, 2004	<u>\$ 6,342</u>	<u>\$ 263,794</u>	<u>\$ (24,929)</u>	<u>\$ 941</u>	<u>\$ 246,148</u>

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2004

GENERAL OBLIGATION BONDS PAYABLE

1995 Special Assessment Limited Tax Bonds
Dated November 1, 1995
Amount of Bond \$90,000
Principal Due November 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE NOV. 1</u>	<u>INTEREST DUE MAY 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	<u>\$325</u>	<u>\$0</u>	<u>\$325</u>	<u>\$10,000</u>	<u>\$10,325</u>

2000 Special Assessment (LTGO) Bonds, Series B
Dated March 1, 2000
Amount of Bond \$170,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 4,195	\$ 3,636	\$ 7,831	\$ 15,000	\$ 22,831
05-06	3,636	3,070	6,706	15,000	21,706
06-07	3,070	2,310	5,380	20,000	25,380
07-08	2,310	1,545	3,855	20,000	23,855
08-09	1,545	775	2,320	20,000	22,320
09-10	<u>775</u>	<u>0</u>	<u>775</u>	<u>20,000</u>	<u>20,775</u>
	<u>\$15,531</u>	<u>\$11,336</u>	<u>\$26,867</u>	<u>\$110,000</u>	<u>\$136,867</u>

1993 Michigan Transportation Fund Bonds
Dated August 1, 1993
Amount of Bond - \$260,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$2,867	\$2,368	\$ 5,235	\$ 20,000	\$ 25,235
05-06	2,368	1,857	4,225	20,000	24,225
06-07	1,858	1,337	3,195	20,000	23,195
07-08	1,338	675	2,013	25,000	27,013
08-09	<u>675</u>	<u>0</u>	<u>675</u>	<u>25,000</u>	<u>25,675</u>
	<u>\$9,106</u>	<u>\$6,237</u>	<u>\$15,343</u>	<u>\$110,000</u>	<u>\$125,343</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2004

2000 Special Assessment (LTGO) Bonds, Series A
Dated March 1, 2000
Amount of Bond \$505,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 9,205	\$ 7,880	\$17,085	\$ 50,000	\$ 67,085
05-06	7,880	6,530	14,410	50,000	64,410
06-07	6,530	5,044	11,574	55,000	66,574
07-08	5,044	3,532	8,576	55,000	63,576
08-09	3,534	1,852	5,386	60,000	65,386
09-10	<u>1,852</u>	<u>0</u>	<u>1,852</u>	<u>65,000</u>	<u>66,852</u>
	<u>\$34,045</u>	<u>\$24,838</u>	<u>\$58,883</u>	<u>\$335,000</u>	<u>\$393,883</u>

1997 Michigan Transportation Fund Bonds
Dated August 1, 1997
Amount of Bond - \$800,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$13,890	\$12,702	\$ 26,592	\$ 50,000	\$ 76,592
05-06	12,703	11,490	24,193	50,000	74,193
06-07	11,490	10,143	21,633	55,000	76,633
07-08	10,143	8,643	18,786	60,000	78,786
08-09	8,643	7,127	15,770	60,000	75,770
09-10	7,127	5,503	12,630	65,000	77,630
10-11	5,503	3,735	9,238	70,000	79,238
11-12	3,735	1,950	5,685	70,000	75,685
12-13	<u>1,950</u>	<u>0</u>	<u>1,950</u>	<u>75,000</u>	<u>76,950</u>
	<u>\$75,184</u>	<u>\$61,293</u>	<u>\$136,477</u>	<u>\$555,000</u>	<u>\$691,477</u>

See accountant's report

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2004

City of Flat Rock, County of Wayne, State
of Michigan, Certificates of Participation,
Series 1997 (City of Flat Rock Installment
Purchase)

Dated May 8, 1998

Amount of Bond \$1,500,000

Principal Due September 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 28,414	\$23,096	\$ 51,510	\$ 90,000	\$ 141,510
05-06	23,478	20,340	43,818	95,000	138,818
06-07	20,677	17,453	38,130	105,000	143,130
07-08	17,742	14,435	32,177	110,000	142,177
08-09	14,674	11,154	25,828	115,000	140,828
09-10	11,339	7,611	18,950	125,000	143,950
10-11	7,737	3,937	11,674	135,000	146,674
11-12	4,002	0	4,002	140,000	144,002
12-13	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$128,063</u>	<u>\$98,026</u>	<u>\$226,089</u>	<u>\$1,065,000</u>	<u>\$1,291,089</u>

Building Authority Bond Series 2004

Authority Refunding Bond

Dated January 2004

Amount of Bond - \$1,720,000

Principal Due September 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 33,652	\$ 28,010	\$ 61,662	\$ 90,000	\$ 151,662
05-06	28,010	27,010	55,020	100,000	155,020
06-07	27,010	25,829	52,839	105,000	157,839
07-08	25,829	24,516	50,345	105,000	155,345
08-09	24,516	23,021	47,537	115,000	162,537
09-10	23,021	21,354	44,375	115,000	159,375
10-11	21,354	19,571	40,925	115,000	155,925
11-12	19,571	17,446	37,017	125,000	162,017
12-13	17,446	15,074	32,520	130,000	162,520
13-14	15,074	12,571	27,645	130,000	157,645
14-15	12,571	9,736	22,307	140,000	162,307
15-16	9,736	6,691	16,427	145,000	161,427
16-17	6,691	3,410	10,101	150,000	160,101
17-18	<u>3,410</u>	<u>0</u>	<u>3,410</u>	<u>155,000</u>	<u>158,410</u>
	<u>\$267,891</u>	<u>\$234,239</u>	<u>\$502,130</u>	<u>\$1,720,000</u>	<u>\$2,222,130</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2004

Building Authority Bond Series 2000
Dated September 1, 2000
Amount of Bond - \$5,000,000
Principal Due August 1

<u>FISCAL</u> <u>YEAR</u>	<u>INTEREST</u> <u>DUE AUG 1</u>	<u>INTEREST</u> <u>DUE FEB 1</u>	<u>TOTAL</u> <u>INTEREST</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
04-05	\$ 136,330	\$ 129,530	\$ 265,860	\$ 170,000	\$ 435,860
05-06	129,530	122,330	251,860	180,000	431,860
06-07	122,330	114,730	237,060	190,000	427,060
07-08	114,730	109,758	224,488	195,000	419,488
08-09	109,757	104,428	214,185	205,000	419,185
09-10	104,427	98,578	203,005	220,000	423,005
10-11	98,577	92,388	190,965	230,000	420,965
11-12	92,387	85,650	178,037	245,000	423,037
12-13	85,650	78,510	164,160	255,000	419,160
13-14	78,510	70,815	149,325	270,000	419,325
14-15	70,815	62,550	133,365	285,000	418,365
15-16	62,550	53,700	116,250	300,000	416,250
16-17	53,700	44,100	97,800	320,000	417,800
17-18	44,100	34,050	78,150	335,000	413,150
18-19	34,050	23,400	57,450	355,000	412,450
19-20	23,400	12,000	35,400	380,000	415,400
20-21	<u>12,000</u>	<u>0</u>	<u>12,000</u>	<u>400,000</u>	<u>412,000</u>
	<u>\$1,372,843</u>	<u>\$1,236,517</u>	<u>\$2,609,360</u>	<u>\$4,535,000</u>	<u>\$7,144,360</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2004

City of Flat Rock Tax Increment Finance Authority
2004 Taxable Adjustable Rate Tax Increment Financing Bonds
Dated April 21, 2004
Amount of Bond - \$6,000,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE MONTHLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 87,149	\$ 265,000	\$ 352,149
05-06	83,690	230,000	313,690
06-07	80,190	235,000	315,190
07-08	76,752	240,000	316,752
08-09	72,879	240,000	312,879
09-10	69,312	250,000	319,312
10-11	65,512	255,000	320,512
11-12	61,696	265,000	326,696
12-13	57,453	270,000	327,453
13-14	53,408	280,000	333,408
14-15	49,106	290,000	339,106
15-16	44,734	300,000	344,734
16-17	39,978	310,000	349,978
17-18	35,251	325,000	360,251
18-19	30,274	335,000	365,274
19-20	25,140	350,000	375,140
20-21	19,657	365,000	384,657
21-22	14,068	380,000	394,068
22-23	8,165	400,000	408,165
23-24	<u>2,012</u>	<u>415,000</u>	<u>417,012</u>
	<u>\$976,426</u>	<u>\$6,000,000</u>	<u>\$6,976,426</u>

EQUIPMENT LOANS - GENERAL OBLIGATION

2002 Equipment Loan
Dated January 2002
Amount of Loan - \$7,465
Principal Due Monthly

<u>FISCAL YEAR</u>	<u>INTEREST DUE MONTHLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$441	\$1,563	\$2,004
05-06	238	1,766	2,004
06-07	<u>35</u>	<u>969</u>	<u>1,004</u>
	<u>\$714</u>	<u>\$4,298</u>	<u>\$5,012</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Equipment Loans – General Obligation
June 30, 2004

2001 Equipment Loan
Dated February 10, 2001
Amount of Loan - \$27,438
Principal Due February 10

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 728	\$ 5,986	\$ 6,714
05-06	<u>300</u>	<u>6,414</u>	<u>6,714</u>
	<u>\$1,028</u>	<u>\$12,400</u>	<u>\$13,428</u>

2003 Equipment Loan
Dated February 28, 2003
Amount of Loan - \$29,400
Principal Due Annually

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$1,153	\$ 5,496	\$ 6,649
05-06	792	5,857	6,649
06-07	<u>409</u>	<u>6,240</u>	<u>6,649</u>
	<u>\$2,354</u>	<u>\$17,593</u>	<u>\$19,947</u>

2003 Equipment Loan
Dated July 3, 2003
Amount of Loan - \$84,821
Principal Due Annually

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$3,644	\$20,599	\$24,243
05-06	2,495	21,749	24,244
06-07	<u>1,281</u>	<u>22,962</u>	<u>24,243</u>
	<u>\$7,420</u>	<u>\$65,310</u>	<u>\$72,730</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer Fund – General Obligation Bonds
June 30, 2004

Wayne County Sewage Disposal Bonds
Flat Rock, Huron System
Dated December 1, 1968
Amount Issued - \$440,800
Flat Rock Share - 32.65% of \$1,350,000
Principal Due May 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE NOV. 1</u>	<u>INTEREST DUE MAY 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$1,675	\$1,675	\$3,350	\$19,591	\$22,941
05-06	1,117	1,117	2,234	19,591	21,825
06-07	<u>559</u>	<u>395</u>	<u>954</u>	<u>19,754</u>	<u>20,708</u>
	<u>\$3,351</u>	<u>\$3,187</u>	<u>\$6,538</u>	<u>\$58,936</u>	<u>\$65,474</u>

Wayne County - Flat Rock
Dated July 1, 1970
Amount Issued - \$4,020,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 24,000	\$ 24,000	\$ 0	\$ 24,000
05-06	24,000	24,000	0	24,000
06-07	24,000	24,000	0	24,000
07-08	24,000	24,000	0	24,000
08-09	24,000	24,000	200,000	224,000
09-10	<u>12,000</u>	<u>12,000</u>	<u>200,000</u>	<u>212,000</u>
	<u>\$132,000</u>	<u>\$132,000</u>	<u>\$400,000</u>	<u>\$532,000</u>

Refunding bonds issued on May 24, 1994, to refund Wayne County Sewage Disposal System Bonds (*Prior Bonds*) dated July 1, 1970. The County issued \$2,295,441 aggregate principal amount of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds dated May 24, 1994, to advance refund a portion of the outstanding Prior Bonds; namely, all those maturing on October 1 in the years 1994 through 2007, in the aggregate principal amount of \$2,175,000, but not those maturing on October 1 in the years 2009 and 2010 in the aggregate principal amount of \$400,000 (the *Nonrefundable Bonds*) which shall remain outstanding in accordance with their terms.

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
June 30, 2004

Wayne County - Flat Rock Refunding Bonds
Dated May 1, 1994
Amount Issued - \$2,295,441
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$20,045	\$14,892	\$34,937	\$184,022	\$218,959
05-06	14,893	10,818	25,711	142,955	168,666
06-07	10,818	4,975	15,793	201,495	217,288
07-08	<u>4,975</u>	<u>0</u>	<u>4,975</u>	<u>168,638</u>	<u>173,613</u>
	<u>\$50,731</u>	<u>\$30,685</u>	<u>\$81,416</u>	<u>\$697,110</u>	<u>\$778,526</u>

Refunding bonds issued on May 1, 1994, to refund Wayne County Sewage Disposal System Bonds dated July 1, 1970. Net proceeds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1970 Series Bonds. As a result, the 1970 Series Bonds are considered to be nullified and the liability for those bonds has been removed from the Water and Sewer Fund and replaced with Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds.

South Huron Valley Utility Authority
Substitution Bonds, 1991 Series
(Limited Tax General Obligation)
Dated October 1, 1991
Amount Issued - \$1,901,130
Flat Rock Share 14.87% of \$12,785,000
Principal Due April 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 8,208	\$ 8,208	\$16,416	\$110,038	\$126,454
05-06	7,108	7,108	14,216	112,269	126,485
06-07	5,985	5,985	11,970	115,243	127,213
07-08	4,833	4,833	9,666	117,473	127,139
08-09	3,658	3,658	7,316	119,704	127,020
09-10	2,461	2,461	4,922	121,934	126,856
10-11	<u>1,242</u>	<u>1,242</u>	<u>2,484</u>	<u>124,162</u>	<u>126,646</u>
	<u>\$33,495</u>	<u>\$33,495</u>	<u>\$66,990</u>	<u>\$820,823</u>	<u>\$887,813</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
June 30, 2004

South Huron Valley Utility Authority
Sewer System Plant Acquisition Bonds
Dated September 29, 1998
Amount Issued \$3,271,516 Flat Rock Share of \$26,615,000

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
04-05	\$ 31,864	\$ 30,308	\$ 62,172	\$ 138,285	\$ 200,457
05-06	30,308	28,711	59,019	141,973	200,992
06-07	28,711	27,079	55,790	145,046	200,836
07-08	27,079	25,413	52,492	148,119	200,611
08-09	25,413	23,705	49,118	151,806	200,924
09-10	23,705	21,963	45,668	154,879	200,547
10-11	21,963	20,179	42,142	158,567	200,709
11-12	20,179	18,353	38,532	162,254	200,786
12-13	18,353	16,487	34,840	165,942	200,782
13-14	16,487	14,585	31,072	169,015	200,087
14-15	14,585	12,642	27,227	172,702	199,929
15-16	12,642	10,651	23,293	177,005	200,298
16-17	10,651	8,618	19,269	180,692	199,961
17-18	8,618	6,537	15,155	184,995	200,150
18-19	6,537	4,407	10,944	189,297	200,241
19-20	4,407	2,229	6,636	193,599	200,235
20-21	<u>2,229</u>	<u>0</u>	<u>2,229</u>	<u>198,163</u>	<u>200,392</u>
	<u>\$303,731</u>	<u>\$271,867</u>	<u>\$575,598</u>	<u>\$2,832,339</u>	<u>\$3,407,937</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

<u>FISCAL YEAR</u>	<u>GENERAL FUND</u>	<u>MUNICIPAL BUILDING FUND</u>	<u>LIBRARY FUND</u>	<u>SEWER DEBT</u>	<u>HISTORICAL DISTRICT</u>	<u>TOTAL MILLAGE</u>
1985	11.08	2.07	0.00	3.60	0.00	16.75
1986	11.50	2.25	0.00	4.00	0.00	17.75
1987	11.50	2.25	0.00	4.00	0.00	17.75
1988	11.50	2.20	0.00	4.05	0.00	17.75
1989	15.50	2.25	0.00	0.00	0.00	17.75
1990	15.50	1.75	0.00	0.00	0.00	17.25
1991	15.25	1.65	0.00	0.00	0.00	16.90
1992	14.48	2.10	0.00	0.00	0.00	16.58
1993	14.30	2.00	0.00	0.00	0.00	16.30
1994	13.14	0.00	0.00	2.86	0.00	16.00
1995	13.14	0.00	0.00	2.86	0.00	16.00
1996	13.15	0.00	1.00	2.85	0.00	17.00
1997	13.15	0.00	1.00	2.85	0.00	17.00
1998	13.15	0.00	1.00	2.85	0.00	17.00
1999	13.15	0.00	1.00	2.85	0.00	17.00
2000	13.15	0.00	1.00	2.85	0.00	17.00
2001	16.00	0.00	1.00	0.00	0.00	17.00
2002	16.00	0.00	1.00	0.00	0.25	17.25
2003	16.00	0.00	1.00	0.00	0.25	17.25
2004	16.00	0.00	1.00	0.00	0.25	17.25

CITY OF FLAT ROCK, MICHIGAN

FISCAL YEAR	WATER RATE	SEWER RATE	COMBINED RATE
1985	1.50	2.30	3.80
1986	1.50	2.79	4.29
1987	1.50	2.79	4.29
1988	1.50	2.79	4.29
1989	1.00	3.29	4.29
1990	0.91	3.10	4.01
1991	0.91	3.10	4.01
1992	0.91	3.10	4.01
1993	1.01	3.00	4.01
1994			4.00
1995			4.00
1996			4.00
1997			4.00
1998			4.00
1999			4.00
2000			4.00
2001			3.60
2002			3.60
2003			4.00
2004			4.00

Jocks & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

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September 28, 2004

To the Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan
25500 Gibraltar Road
Flat Rock, Michigan 48134

Dear Honorable Mayor and Members of the City Council:

During the course of our audit of the City of Flat Rock's General Purpose Financial Statements for the year ended June 30, 2004, we developed a list of comments and recommendations. They are as follows:

GENERAL FUND

General Fund revenues were \$1,126,120 greater than expenditures. This excess increased fund balance in the General Fund to \$2,185,532 as of June 30, 2004.

Actual General Fund revenues of \$9,940,856 exceeded budgeted revenues by \$101,379. Actual General Fund expenditures of \$8,221,005 were less than budgeted expenditures by \$272,178. Favorable Revenue Budget variances occurred in the General Operations, Police, Building and Safety, Community Enrichment and Development, Public Works, Recreation and Culture. Unfavorable Revenue Budget variance occurred in the Fire Department.

Favorable expenditure budget variances occurred in the, City Assessor, City Attorney, Public Works, Recreation and Youth Center Departments.

Unfavorable expenditure budget variances occurred in the Judicial, Elections, Clerk and Treasurer, City Engineer, Police, Building and Safety, Senior Citizens, Ball field, Fountain & Ice Rink, Planning Commission, Beautification, Cable Commission and Zoning Board of Appeals Departments.

SPECIAL REVENUE FUNDS

Major Street Fund expenditures exceeded revenues by \$181,230 decreasing Fund Balance to \$(64,233). Local Street expenditures exceeded revenues by \$1,563 decreasing Fund Balance to \$(1,135).

To the Honorable Mayor and
Members of the City Council

September 28, 2004
Page 2.

SPECIAL REVENUE FUNDS (continued)

As described in Note 1 of the Annual Report, the Assets, Liabilities, Revenues and Expenditures for the Tax Increment Finance Authority (TIFA), Downtown Development Authority (DDA) and Building Authority (BA) have been included in the City's Basic Financial Statements.

ENTERPRISE FUND

The Water and Sewer Enterprise Fund reported net income of \$124,200 increasing the retained earnings to \$7,371,799.

We will be happy to assist the City in implementing any recommendations contained in this letter. If you have any questions regarding the comments and recommendations outlined in this letter or any other questions, please do not hesitate to ask during our presentation, or contact our office.

Very truly yours,

A handwritten signature in black ink that reads "Jocks & Associates, PC". The signature is written in a cursive, flowing style.

JOCKS & ASSOCIATES, PC
Certified Public Accountants

3630 West Road
Trenton, MI 48183

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& Associates, PC**
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City of Flat Rock's basic financial statements and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Flat Rock's general financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Flat Rock's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Jocks & Associates, PC

September 28, 2004